norma

AD&C
Agência para o Desenvolvimento e Coesão, I.P.

N.º 01/AD&C/2015
Data: 2015/02/13

ORIENTAÇÕES PARA A ELABORAÇÃO DA DESCRIÇÃO DO SISTEMA DE GESTÃO E CONTROLO DAS AUTORIDADES DE GESTÃO

PROCEDIMENTO DE DESIGNAÇÃO DA AUTORIDADE DE GESTÃO

Síntese

Na presente Norma foram sistematizados os requisitos que as Autoridades de Gestão deverão acautelar aquando da elaboração das descrições do sistema de gestão e controlo do respetivo programa operacional por forma a respeitar os critérios de designação que integram o Anexo XIII do Regulamento (UE) n.º 1303/2013, do Parlamento Europeu e do Conselho, de 17 de dezembro de 2013.

Nota Prévia

O Reg. (UE) nº 1303/2013 estabelece as disposições comuns relativas ao FEDER, ao FSE, ao Fundo de Coesão, ao FEADER e ao FEAMP. Em conformidade com o nº 8 do artigo 4º do mesmo Regulamento, a Comissão Europeia (CE) e os Estados-Membros (EM) respeitam o princípio da boa gestão financeira a que se refere o artigo 30º do Reg. (UE, EURATOM) n.º 966/2012 (Regulamento Financeiro).

De acordo com os nº 1 e 2 do artigo 123º do Reg. (UE) nº 1303/2013, cada EM designa para cada programa operacional uma Autoridade de Gestão (AG) e uma Autoridade de Certificação (AC), podendo ser designada uma única AG para vários programas operacionais e uma única AC para vários programas operacionais.

Pode ainda o EM designar um organismo de coordenação, de acordo com o nº 8 do mesmo artigo 123º, que será responsável por manter o contacto com a CE e fornecer-lhe informações, coordenar as atividades de outros organismos designados relevantes e promover uma aplicação da legislação aplicável.

Através do Decreto-Lei n.º 137/2014, de 12 de setembro, que estabelece o modelo de governação dos fundos europeus estruturais e de investimento (FEEI compreendendo o FEDER, o FSE, o Fundo de Coesão, o FEADER e o FEAMP), o Governo determinou:

a) a existência de uma AG para cada um dos programas operacionais temáticos e regionais do Continente sendo complementado por disposições legais dos Governos regionais que estabelecem a criação de uma AG para cada um dos programas operacionais regionais dessas regiões autónomas;

b) através do artigo 40º a existência de uma AC única para FEDER, FSE, Fundo de Coesão e FEAC – a Agência para o Desenvolvimento e Coesão, IP, com competências não delegáveis;

c) através do artigo 45º a existência de uma Autoridade de Auditoria (AA) única para todos os programas operacionais e todos os Fundos, a Inspeção-Geral de Finanças, com competências não delegáveis;

d) ainda através do artigo 40º a existência de estrutura segregada de auditoria que executa as auditorias em operações;

e) por fim o artigo 70º explicita que a função de pagamento aos beneficiários e transferência para as AG dos programas operacionais das regiões autónomas, para os organismos intermédios com competências delegadas de pagamento aos beneficiários e para as entidades responsáveis pela aplicação dos

instrumentos financeiros é exercida pela Agência para o Desenvolvimento e Coesão, IP, no caso do FEDER, FSE e Fundo de Coesão.

Por outro lado, estabelece o artigo 124º do Reg. (UE) nº 1303/2013, relativo ao procedimento de designação, que antes da apresentação do primeiro pedido de pagamento à CE, o EM notifica a Comissão da data e da forma das designações das AG e AC. Salienta-se que em conformidade com o citado artigo o exercício da designação será acompanhado de um parecer da AA que avalia a conformidade dos sistemas de gestão e controlo estabelecidos.

Assim, para a boa aplicação do artigo 124º do Reg. (UE) nº 1303/2013, previamente à apresentação do primeiro pedido de pagamento intercalar à CE, deverão ser percorridas as fases que a seguir se apresentam:

1. Após a adoção dos programas operacionais, o que ocorreu em dezembro de 2014, as AG e AC definem e implementam os respetivos sistemas de gestão, culminando esse processo na elaboração da correspondente descrição, a qual observa a estrutura imposta pela regulamentação comunitária (Anexo III do Reg. de Execução (UE) n.º 1011/2014);

2. Disponibilização da descrição dos sistemas de gestão e controlo à AA, organismo responsável pelo processo de designação, para efeitos de emissão de parecer sobre a conformidade daquelas autoridades, e consequentemente sistemas de gestão, com os critérios para a designação definidos regulamentarmente (Anexo XIII do Reg. (UE) n.º 1303/2013);

3. Caso a avaliação referida no ponto anterior seja positiva, total ou parcialmente, a AA propõe ao Ministro das Finanças a designação daquelas autoridades. Contudo, na eventualidade de uma avaliação ser apenas parcialmente positiva terá de ser estabelecido um plano de ação a fim de serem ultrapassadas as deficiências encontradas. Na circunstância da avaliação de conformidade ser negativa, não poderá ser proposta aquela designação da Autoridade de Gestão ou de Certificação.

4. O Ministro das Finanças procede à designação, total ou parcial, das AG e AC, sendo notificada a Comissão da respetiva data e forma, ficando assim cumpridas as condicionantes regulamentares à apresentação do primeiro pedido de pagamento intercalar.

5. Para a generalidade dos programas do Acordo de Parceria, a Comissão pode pedir, com base na sua avaliação de risco, no prazo de um mês a contar da notificação das designações, o relatório e o parecer da AA e a descrição de funções e procedimentos em vigor para as AG e AC, e formular observações no prazo de dois meses a contar da data de receção dos documentos.

A análise desses documentos não interrompe o tratamento dos pedidos de pagamentos intercalares, exceto se houver indícios de deficiência significativa no funcionamento do sistema de gestão e de controlo. Nestes casos, e em aplicação do artigo 83º do Reg. (UE) n.º 1303/2013, o prazo de pagamento do primeiro pedido de pagamento intercalar poderá ser interrompido por um período máximo de 6 meses. Em face do anteriormente exposto, e tendo essencialmente por base o documento de orientações da Comissão Europeia *Guidance for Member States on Designation Procedure*

(EGESIF_14-0013), cuja versão final data de 18/12/2014, e os critérios para a designação que integram o Anexo XIII do Reg. (UE) n.º 1303/2013, foram sistematizados no presente documento os requisitos que as AG deverão acautelar aquando da elaboração das descrições do sistema de gestão e controlo do respetivo programa operacional por forma a respeitar aqueles critérios.

Este documento de orientações visa a harmonização dos procedimentos entre as diferentes AG, pondera a experiência do período de programação 2007-2013 e, pretende agilizar o processo de designação.

Face ao modelo de descrição do sistema de gestão e controlo estabelecido para o período 2007-2013, importa destacar os seguintes novos requisitos de análise:

- Gestão de risco e medidas de combate à fraude;
- Declaração de gestão;
- Contas anuais;
- Resumo anual dos relatórios de auditoria e dos controlos;
- Indicadores de realização e de resultados.

Por último, importa estabelecer um conjunto de requisitos a que as descrições devem obedecer:

Descrição	Requisito
N.º Páginas	Desejavelmente não deverão exceder 200 páginas, constituindo os manuais de procedimentos, orientações, …, documentos de suporte às descrições, devendo os mesmos ser apresentados em simultâneo com as descrições.
Referenciação aos manuais de procedimentos	Deverão conter de forma clara e sucinta uma descrição dos procedimentos fundamentais para a avaliação dos critérios para a designação. Assim, uma descrição detalhada dos procedimentos deverá constar dos manuais, orientações, …, constando na descrição a remissão para aqueles documentos.
Harmonização de procedimentos para os Organismos Intermédios (OI)	Deverá existir articulação dos PO para garantir a harmonização das descrições dos OI comuns.

Ao longo do documento identificam-se situações de alerta bem como situações que pela sua especificidade serão objeto de orientações mais detalhadas a emitir pelas entidades com responsabilidades nessas matérias.

Referências documentais e normativas

Regulamentos [1]
Reg. (UE, EURATOM) n.º 966/2012, do Parlamento Europeu e do Conselho de 25 de outubro, relativo às disposições financeiras aplicáveis ao orçamento geral da União
Reg. (UE, EURATOM) n.º 883/2013, do Parlamento Europeu e do Conselho de 11 de setembro, relativo aos inquéritos efetuados pelo Organismo Europeu de Luta Antifraude (OLAF)
Reg. (UE) n.º 1299/2013, do Parlamento Europeu e do Conselho de 17 de dezembro, relativo ao FEDER no âmbito do objetivo da Cooperação Territorial Europeia
Reg. (UE) n.º 1300/2013, do Parlamento Europeu e do Conselho de 17 de dezembro, relativo ao Fundo de Coesão
Reg. (UE) n.º 1301/2013, do Parlamento Europeu e do Conselho de 17 de dezembro, relativo ao FEDER e que estabelece disposições específicas relativas ao objetivo de investimento no crescimento e no emprego
Reg. (UE) nº 1303/2013, do Parlamento Europeu e do Conselho de 17 de dezembro, que estabelece disposições comuns relativas ao FEDER, FSE, FC, FEADER e FFEAMP e a disposições gerais relativas ao FEDER, ao FSE, ao FC e ao FEAMP
Reg. (UE) nº 1304/2013, do Parlamento Europeu e do Conselho de 17 de dezembro, relativo ao FSE
Reg. Delegado (UE) n.º 480/2014, da Comissão de 3 de março, que completa o Reg. (UE) n.º 1303/2013
Reg. de Execução (UE) n.º 1011/2014, da Comissão de 22 de setembro, que diz respeito aos modelos de apresentação de certas informações à Comissão, e regras pormenorizadas para o intercâmbio de informações entre os beneficiários e as autoridades de gestão, as autoridades de certificação, as autoridades de auditoria e os organismos intermediários
Decreto-Lei n.º 137/2014, de 12 de setembro, que estabelece o Modelo de Governação dos fundos europeus estruturais e de investimento (FEEI), para o período de programação 2014-2020
Decreto-Lei n.º 159/2014, de 27 de outubro, que estabelece as regras gerais de aplicação dos programas operacionais (PO) e dos programas de desenvolvimento rural (PDR) financiados pelos FEEI, para o período de programação 2014-2020
Reg. de Execução (UE) 2015/207 da Comissão de 20 de janeiro de 2015 que estabelece regras pormenorizadas de execução do Reg. (UE) n.º 1303/2013 no que diz respeito aos modelos para apresentação do relatório intercalar, das informações relativas aos grandes projetos, do plano de ação conjunto, dos relatórios de execução do objetivo de Investimento no Crescimento e no Emprego, da declaração de gestão, da estratégia de auditoria, do parecer de auditoria e do relatório anual de controlo, bem como a metodologia a utilizar para efeitos da análise custo-benefício, e nos termos do Reg. (UE) n.º 1299/2013 no que diz respeito ao modelo dos relatórios de execução do objetivo da Cooperação Territorial Europeia
Documentos (em anexo)
Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States (EGESIF_14-0010-final, de 18/12/2014)
Guidance for Member States on Designation Procedure (EGESIF_14-0013-final, de 18/12/2014)
Guidance for Member States on Management verifications (EGESIF_14-0012, de 6/1/2015)
Guidance for Member States and Programme Authorities on fraud risk assessment and effective and proportionate anti-fraud measures (EGESIF_14-0021-00-final, de 16/06/2014)

1 Disponíveis no Portal do Portugal 2020.

Modelo para a descrição das funções e dos procedimentos em vigor da Autoridade de Gestão e da Autoridade de Certificação (Anexo III do Regulamento de Execução (UE) n.º 1011/2014 da Comissão, de 22 de setembro de 2014)

Controlo do documento

Versão	Data de reporte	Data de Aprovação	Descrição

1. Informações Gerais

1.1. Informações apresentadas por:

- **[Nome do] Estado-Membro**
- **Título do programa e CCI: (todos os programas operacionais abrangidos pela autoridade de gestão/autoridade de certificação), em caso de sistema de gestão e controlo comum);**
- **Nome do ponto de contacto principal, incluindo e-mail: (organismo responsável pela descrição).**
  - No caso do PO de Cooperação Territorial Espaço Atlântico (POCTEA), deverá ser identificada a entidade no EM participante que tem a responsabilidade pela coordenação geral pela gestão e controlo do Programa.

1.2. As informações prestadas descrevem a situação em: (dd/mm/aa)

1.3. Estrutura do sistema (informações de caráter geral e fluxograma que dê conta da interação organizacional entre os organismos envolvidos no sistema de gestão e controlo)

A AG deverá disponibilizar informação geral e um fluxograma da relação organizacional entre as autoridades/entidades envolvidas no sistema de gestão e controlo (AG, OI, AC, AA, CE). No caso do POCTEA, esta informação deverá igualmente abranger o Secretariado Conjunto e os controladores responsáveis pela verificação da legalidade e regularidade das despesas, o grupo de auditores e as autoridades nacionais quando relevante.

1.3.1. Autoridade de gestão (designação, endereço e ponto de contacto):

- No caso do POCTEA, deverá ser identificado o nome, o endereço e o ponto de contacto do Secretariado Conjunto.
- Ainda no caso do POCTEA e quando a AG não proceda às verificações de gestão previstas na alínea a), n.º 4 do artigo 125.º do Reg. (UE) n º 1303/2013, deverá ser identificado o nome, o endereço e o ponto de contacto das entidades que venham a ser designadas para a realização de tais verificações, nos termos do n.º 4 do artigo 23.º do Reg. (UE) n.º 1299/2013.
- No caso do POCTEA, a AG deverá disponibilizar informação que abranja o Secretariado Conjunto e os Controladores em cada EM participante.

1.3.2. Autoridade de certificação (designação, endereço e ponto de contacto):

Agência para o Desenvolvimento e Coesão, IP

Vice-Presidente do Conselho Diretivo: Eng.ª Rosa Maria Simões da Silva

Morada: Av. 5 de Outubro, n.º 153, 1050-053 Lisboa

Telefone: +351 21 881 40 00

Fax: +351 21 888 11 11

E-mail: agencia@adcoesao.pt

Internet: www.adcoesao.pt

1.3.3. Os organismos intermédios (designação, endereço e ponto de contacto):

- Indicar os OI intervenientes no PO

Organismo	Endereço	Pontos de contacto (Nome, telefone, e-mail)

1.3.4. Caso se aplique o disposto no artigo 123.º, n.º 5, do Regulamento (UE) n.º 1303/2013, indique de que forma é assegurado o princípio da separação de funções entre a autoridade de auditoria e a autoridade de gestão/de certificação.

- Não aplicável, tendo em conta o Modelo de Governação definido para o PT 2020, em que cada uma dessas funções foi cometida a diferentes entidades funcionalmente independentes entre si.

2. Autoridade de Gestão

2.1. Autoridade de gestão e suas principais funções

2.1.1. Estatuto da autoridade de gestão (organismo público nacional, regional ou local, ou organismo privado) e do organismo de que faz parte[2].

- Identificação se a AG é um organismo público nacional, regional ou local (n.º 1 do artigo 123.º do Reg. (UE) n.º 1303/2013), bem como a tutela a que pertence.

2.1.2. Especificação das funções e das tarefas desempenhadas diretamente pela autoridade de gestão.

Identificação das funções e das tarefas desempenhadas diretamente pela AG nos termos do artigo 125.º do Reg. (UE) n.º 1303/2013 e dos artigos 26.º e 27.º do Decreto-Lei n.º 137/2014 (Modelo de Governação).

2 Em conformidade com o n.º 3 do artigo 123 do Regulamento (UE) n.º 1303/2013, nos casos em que a AG e a AC estejam ambas localizadas no mesmo organismo, a AG deve ser uma autoridade ou organismo público.

Funções		Desempenhada pela AG	Delegadas nos OI (Identificar OI)
Ref.ª	Descrição		
1	Elaborar a regulamentação específica e submetê-la a aprovação da CIC Portugal 2020, após parecer do órgão de coordenação técnica (al. a), n.º 1 do art. 26 do MG)		
2	Definir os critérios de seleção a serem aprovados pela comissão de acompanhamento do PO (al. b), n.º 1 do art. 26 do MG)		
3	Aplicar os critérios de seleção aprovados pela respetiva comissão de acompanhamento do PO (al. b), n.º 1 do art. 26 do MG)		
4	Assegurar que a operação selecionada corresponde ao âmbito do fundo ou dos fundos em causa e pode ser atribuída à categoria de intervenção (al. c), n.º 1 do art. 26 do MG)		
5	Aprovar as candidaturas a financiamento pelo PO que, reunindo condições de elegibilidade, tenham mérito adequado a receberem apoio financeiro (al. c) do n.º 1 do art. 27 do MG)		
6	Assegurar que seja disponibilizado ao beneficiário um documento sobre as condições de apoio para cada operação, incluindo os requisitos específicos aplicáveis aos produtos ou serviços a realizar no âmbito da operação, o plano de financiamento e o prazo de execução (al. d), n.º 1 do art. 26 do MG)		
7	Verificar se o beneficiário tem capacidade administrativa, financeira e operacional para cumprir as condições referidas na alínea anterior, antes de a operação ser aprovada, quando aplicável (al. e), n.º 1 do art. 26 do MG)		
8	Verificar se a operação a selecionar tem enquadramento nas elegibilidades específicas do correspondente PO, adequação técnica para prossecução dos objetivos e finalidades específicas visadas, demonstração objetiva da sua viabilidade e sustentabilidade económica e financeira (al. f), n.º 1 do art. 26 do MG)		
9	Verificar se foi cumprida a legislação aplicável à operação em causa, sempre que a operação tenha início antes da apresentação do pedido de financiamento à AG (al. g), n.º 1 do art. 26 do MG)		
10	Garantir que as operações selecionadas não incluem atividades que tenham feito parte de uma operação que tenha sido ou devesse ter sido objeto de um procedimento de recuperação em conformidade com o artigo 71.º do Reg. (UE) n.º 1303/2013, do Parlamento Europeu e do Conselho, de 17 de dezembro de 2013, na sequência de uma deslocalização de uma atividade produtiva fora da área do programa (al. h), n.º 1 do art. 26 do MG)		
11	Determinar a categoria de intervenção a que são atribuídas as despesas da operação (al. i), n.º 1 do art. 26 do MG)		

Funções		Desempenhada pela AG	Delegadas nos OI (Identificar OI)
Ref.ª	Descrição		
12	Verificar a realização efetiva dos produtos e serviços cofinanciados, a obtenção dos resultados definidos quando da aprovação e o pagamento da despesa declarada pelos beneficiários, bem como a sua conformidade com a legislação aplicável, com o PO e com as condições de apoio da operação (al. a), n.º 2 do art. 26 do MG)		
13	Garantir que os beneficiários envolvidos na execução das operações reembolsadas com base em custos elegíveis efetivamente suportados, utilizam um sistema contabilístico separado para todas as transações relacionadas com a operação ou a codificação contabilística fiscalmente aceite (al. b), n.º 2 do art. 26 do MG)		
14	Adotar medidas antifraude eficazes e proporcionadas, tendo em conta os riscos identificados (al. c), n.º 2 do art. 26 do MG)		
15	Estabelecer procedimentos para que todos os documentos de despesa e das auditorias sejam conservados em conformidade com o disposto no Reg. (UE) n.º 1303/2013, do Parlamento Europeu e do Conselho, de 17 de dezembro de 2013, nomeadamente para garantir uma pista de auditoria adequada, ou com disposições legais nacionais, quando estas imponham prazos mais alargados (al. d), n.º 2 do art. 26 do MG);		
16	Elaborar a declaração de gestão e a síntese anual dos relatórios referidos nas alíneas a) e b) do n.º 5 do artigo 59.º do Reg. (UE, Euratom) n.º 966/2012, do Parlamento Europeu e do Conselho, de 25 de outubro de 2012 (al. e), n.º 2 do art. 26 do MG);		
17	Assegurar a criação e a descrição de um sistema de gestão, bem como garantir a criação e o funcionamento de um sistema de controlo interno que previna e detete irregularidades e permita a adoção das medidas corretivas oportunas e adequadas (al. f), n.º 2 do art. 26 do MG);		
18	Presidir à respetiva comissão de acompanhamento, fornecendo-lhe as informações necessárias para o exercício das suas competências, em especial, os dados sobre os progressos do PO na realização dos seus objetivos, os dados financeiros e os dados relativos aos indicadores e objetivos intermédios (al. a), n.º 3 do art. 26 do MG)		
19	Elaborar e, após aprovação da comissão de acompanhamento, apresentar à CE os relatórios de execução anuais e finais referidos no artigo 50.º do Reg. (UE) n.º 1303/2013, do Parlamento Europeu e do Conselho, de 17 de dezembro de 2013 (al. b), n.º 3 do art. 26 do MG)		
20	Disponibilizar aos OI e aos beneficiários as informações pertinentes para, respetivamente, exercerem as suas competências e realizarem as operações (al. c), n.º 3 do art. 26 do MG)		

Funções		Desempenhada pela AG	Delegadas nos OI (Identificar OI)
Ref.ª	Descrição		
21	Criar um sistema de registo e arquivo eletrónico dos dados sobre cada operação, que sejam necessários para os exercícios de monitorização, avaliação, gestão financeira, verificação e auditoria, incluindo, se for caso disso, os dados sobre os participantes individuais nas operações (al. d), n.º 3 do art. 26 do MG)		
22	Garantir que os dados referidos no ponto anterior são recolhidos, introduzidos e registados no sistema a que se refere a mesma alínea, e que os dados sobre os indicadores são, quando aplicável, desagregados por sexo (al. e), n.º 3 do art. 26 do MG)		
23	Realizar verificações administrativas relativamente a cada pedido de reembolso por parte dos beneficiários (al. a), n.º 4 do art. 26 do MG)		
24	Realizar verificações as operações in loco (al. b), n.º 4 do art. 26 do MG), as quais pode ser realizadas por amostragem (n.º 6 do art. 26 do MG)		
25	Garantir que a frequência e o alcance das verificações das operações é proporcional ao montante do apoio público concedido a uma operação e ao nível do risco identificado por essas verificações e pelas auditorias realizadas pela AA ao sistema de gestão e de controlo no seu conjunto (n.º 5 do art. 26 do MG)		
26	Garantir uma separação adequada de funções no âmbito das verificações de gestão, se a AG for, simultaneamente, um beneficiário no âmbito do PO (n.º 7 do art. 26 do MG)		

2.1.3. Especificação das funções formalmente delegadas pela autoridade de gestão, identificação dos organismos intermediários e forma da delegação (subjacente ao facto que as autoridades de gestão mantêm plena responsabilidade pelas funções delegadas), em conformidade com o artigo 123.o, n.º 6, do Regulamento (UE) n.º 1303/2013. Referência a documentos pertinentes (atos jurídicos de atribuição de poderes, acordos). Se for caso disso, especificação das funções dos responsáveis pelo controlo, a que se refere o artigo 23.º, n.º 4, do Regulamento (UE) n.º 1299/2013, para os programas de cooperação territorial europeia.

- Identificação das funções formalmente delegadas pela AG nos OI, identificando os OI e a forma de delegação (sublinha-se que as disposições acordadas têm de ser formalmente adotadas por escrito). Quando aplicável, deverão igualmente ser identificadas as funções dos "responsáveis pelo controlo" designados nos termos do n.º 4 do artigo 23.º do Reg. (UE) n.º 1299/2013, para os PO da cooperação territorial europeia.

Identificação do OI e/ ou Responsável pelo Controlo (no caso de POCTEA)	Documento de delegação de funções		Ref.ª Funções* [Cf. quadro do pt. 2.1.2]	Âmbito [Identificação do Eixo/ Regulamento]
	Designação	Data		

* Apenas deverão ser identificadas as funções/competências que foram efetivamente delegadas nos OI/ Responsável pelo Controlo (no caso de POCTEA)

- A AG deverá assumir que mantém a completa responsabilidade pelas funções delegadas.
- A AG deverá descrever a forma como vai garantir que o OI tem capacidade para efetuar as tarefas a delegar em relação à seleção de operações, às verificações de gestão ou a outra tarefa, assumindo que documentará todas as verificações efetuadas.
- Nos casos em que a AG delega a gestão de parte de um PO num OI mediante acordo escrito entre esse organismo e a AG (cf. n.º 7 do artigo 123.º do Reg. (UE) n.º 1303/2013), a AG deverá assumir que o OI fornece garantias da sua solvabilidade e competência no domínio em causa, bem como da sua capacidade em matéria de gestão administrativa e financeira.

  A AG deverá identificar os montantes das subvenções globais.
- A AG deverá assumir que para todos os OI são celebrados acordos escritos que detalhem todas as funções e tarefas delegadas, bem como todas a responsabilidades e obrigações. Os termos a que o contrato de delegação de competências deve obedecer constam do n.º 3 do artigo 37.º do Decreto-Lei n.º 137/2014, de 12 de setembro.
- A AG deverá assumir que todos os OI foram formalmente designados (data e forma de designação) ou estão em processo de serem formalmente designados. Na eventualidade de existirem OI cujo processo de nomeação venha a ocorre após o exercício de designação, a descrição dos respetivos sistemas de gestão e controlo poderá ser efetuada em momento posterior e sempre antes da apresentação de pedidos de pagamento à CE que integrem despesas relativas a operações geridas por esses OI.

  Caso venham a ser atribuídas funções de gestão a beneficiários responsáveis pela execução de políticas públicas (BREP) ou a quaisquer outros organismos/estruturas, estes organismos e respetivas funções deverão integrar a descrição dos sistemas de gestão e controlo.

De acordo de com o n.º 6 e 7 do artigo 123.º do Reg. (UE) n.º 1303/2013, o EM pode designar um ou vários OI para executar certas funções da AG, sob responsabilidade desta autoridade. As disposições pertinentes acordadas entre a AG e os OI têm de ser formalmente adotadas por escrito.

2.1.4 Descrição dos procedimentos destinados a assegurar a aplicação de medidas antifraude eficazes e proporcionadas, tendo em conta os riscos identificados, referindo a avaliação dos riscos efetuada (artigo 125.º, n.º 4, alínea c), do Regulamento (UE) n.º 1303/2013).

- A AG deverá descrever os procedimentos que assegurem a adoção de medidas antifraude eficazes e proporcionadas, tendo em conta os riscos identificados e fazendo referência à avaliação do risco efetuada (alínea c) do n.º 4 do artigo 125.º do referido Regulamento). Na descrição dos procedimentos a AG deverá ter em conta os seguintes elementos-chave: prevenção, deteção, correção e denúncia às entidades competentes.
- A AG deverá descrever os procedimentos adotados para a monitorização e atualização das medidas antifraude, com base nos resultados da avaliação do risco.
- A AG deverá descrever a metodologia utilizada para a avaliação do risco de fraude.
- A AG deverá estabelecer procedimentos que assegurem que, caso a avaliação do risco de fraude demonstre a existência de um risco residual de fraude significativo ou crítico, devido a insuficiência de controlo interno para mitigar os riscos de fraude, são colocadas em prática medidas adicionais antifraude e que é adotado um plano de ação (com indicação das ações e respetiva calendarização).

  A AG deverá assumir que as medidas preventivas a adotar serão adequadas e proporcionais por forma a mitigar o risco residual de fraude a um nível aceitável (ex. carta de missão, código conduta, orientações da hierarquia, atribuição de responsabilidades, sensibilização e formação, analise de dados e sensibilização para os novos sinais de alerta e indicadores de fraude).
- A AG deverá descrever os procedimentos adotados de modo a assegurar que a primeira avaliação de fraude é efetuada num prazo satisfatório e que a sua reavaliação é efetuada ao longo do período de programação dependendo a sua frequência do nível de risco e dos casos reais de fraude.

A CE recomenda que a primeira avaliação de risco de fraude seja efetuada antes da Designação e nunca 6 meses após este ato.

A AG deverá indicar a data da realização da primeira avaliação de fraude, caso a mesma não seja efetuada antes da Designação.

Este exercício pressupõe a definição de uma estratégia antifraude.

As orientações da CE sobre esta matéria constam do documento EGESIF–14-0021-00, de 16/06/2014.

A ADC divulgará orientações em matéria de avaliação de risco.

- A AG deverá descrever os procedimentos estabelecidos de modo a assegurar que a avaliação do risco de fraude incida sobre riscos específicos de fraude relacionados com:
    - a seleção das candidaturas;
    - a execução e verificação das operações; e
    - a validação/certificação das despesas e dos pagamentos.

  No caso de serem identificados riscos específicos de fraude diferentes dos identificados pela CE, os mesmos deverão ser listados.
- A AG deverá descrever os procedimentos a adotar em situações de denúncia (ex. verificações específicas no âmbito da denúncia, comunicação das irregularidades a entidades externas independentes).
- A AG deverá assumir que adota regras adequadas para proteger os colaboradores de sanções internas no caso de reporte de situações irregulares.
- A AG deverá estabelecer procedimentos relativos ao processo de avaliação de risco que assegurem que:
    - a equipa contenha representantes dos diferentes departamentos/unidades/núcleos;
    - as informações relevantes como relatórios de auditoria, relatórios de fraude e de auto-avaliação do controlo interno sejam tidas em conta durante o processo de avaliação de risco;
    - o processo de auto-avaliação é devidamente documentado, permitindo uma clara revisão das conclusões obtidas;
    - a gestão de topo realiza uma adequada supervisão e/ou está envolvida no processo de aprovação do nível de exposição ao risco residual.

- A AG deverá assumir que utiliza uma ferramenta específica para identificar as operações suscetíveis de risco de fraude, conflito de interesse ou irregularidade (ferramenta comum a todas as AG a disponibilizar pela ADC).
- A AG deverá descrever os procedimentos que assegurem que, no caso de suspeita de fraude, são definidas medidas adequadas de reporte, em particular no que respeita à coordenação com a AA, às entidades de investigação do Estado-Membro, à CE e ao OLAF.
- A AG deverá estabelecer procedimentos que assegurem o seguimento de qualquer caso de suspeita de fraude e relacionado com a recuperação de fundos comunitários aplicados de forma fraudulenta. A AG deverá estabelecer procedimentos de acompanhamento para a revisão dos processos, procedimentos ou controlos relacionados com a fraude (real ou potencial), prevendo que os resultados sejam tidos em conta na subsequente revisão da avaliação do risco de fraude.
- A AG deverá assumir a elaboração de disposições internas para a avaliação do risco de fraude (ex. elaboração de um manual).

2.2. Organização e procedimentos da autoridade de gestão

2.2.1. Organograma e especificação das funções de cada unidade (incluindo um plano de afetação de recursos humanos adequados, com as competências necessárias). Esta informação deve também abranger os organismos intermediários nos quais tenham sido delegadas funções.

2.2.1.1 Autoridade de gestão

a) Organigrama

- A AG deverá disponibilizar um organigrama que abranja todas as suas funções, assegurando que o princípio da segregação de funções é respeitado.

b) Descrição das funções de cada unidade, identificando os recursos humanos afetos, a sua formação e experiência em áreas semelhantes

Unidade	Colaboradores [1]	Formação Académica	Anos de experiência em áreas semelhantes	Descrição da função [2]
Unidade A	*Dirigente (x)*	*As que prevalecem*	*Indicar média*	
	Técnico Superior (y)	*As que prevalecem*	*Indicar média*	

1) Indicação do grupo de pessoal e do respetivo número de colaboradores.

2) Na descrição da função deverá ser detalhado o âmbito e objetivos do trabalho, bem como as tarefas e as responsabilidades por Unidade.

No âmbito do preenchimento deste ponto deverá ser tido em conta o seguinte:

- A AG deverá assumir que os recursos humanos a afetar em cada função serão suficientes em número e detêm a valência e experiência necessárias.
- A AG deverá descrever os critérios de seleção de pessoal, tendo em conta que os procedimentos para seleção devem ser claros, adequados e respeitarem o estipulado no n.º 10 do artigo 19.º do Decreto-Lei n.º 137/2014. Sublinha-se que nos termos do disposto no n.º 11 do artigo 83.º do Decreto-Lei n.º 137/2014, os trabalhadores em relação aos quais se verifique a existência de relação contratual no âmbito das estruturas de gestão, acompanhamento e apoio técnico dos PO do QREN, podem transitar para qualquer dos órgãos de governação ou ainda para as estruturas de missão em função das necessidades.
- A AG deverá estabelecer procedimentos adequados para a gestão de mudança de recursos (preparação de passagem de dossier) e para a ocupação de lugares vagos.
- A AG deverá estabelecer uma política de substituição de recursos em caso de ausências prolongadas, assegurando sempre a segregação de funções.
- A AG deverá assegurar que cada colaborador recebe a formação adequada ao exercício das suas funções e que cada novo colaborador recebe formação de base previamente ao início do exercício das funções cometidas.
- A AG deverá identificar os procedimentos para avaliação regular da equipa (incluindo autoavaliação, quando aplicável).
- A AG deverá estabelecer procedimentos que assegurem que os colaboradores em "*cargos sensíveis*" (cargos cuja ocupação pode causar efeitos adversos na integridade e funcionamento da instituição em virtude da natureza da sua responsabilidade) são identificados e que em relação a esses postos é exercido um controlo

adequado (incluindo, quando apropriado, uma política de rotação e segregação de funções).

- A AG deverá estabelecer os procedimentos para identificar e prevenir situações de conflito de interesse através da implementação de uma adequada política de segregação de funções.
- A AG deverá estabelecer, no âmbito da política de ética e integridade, um código de conduta a adotar obrigatoriamente pelos colaboradores, no que respeita a:
    - Conflitos de interesse (obrigação de declaração);
    - Utilização de informação oficial e recursos públicos;
    - Recebimento de presentes e benefícios;
    - Lealdade e confidencialidade.

  A AG deverá assumir que divulgará as leis e as regras relativas à política de ética e integridade pelos seus colaboradores.

  A AG deverá estabelecer procedimentos para a divulgação do código de conduta, incluindo aos novos colaboradores, bem como procedimentos para divulgar sistematicamente as modificações das regras.
- A AG deverá assegurar que detém condições físicas e técnicas (v.g. equipamento adequado) para o desempenho das suas funções.

2.2.1.2 OI [replicar para cada OI onde tenham sido delegadas tarefas]

a) Organigrama

- A AG deverá garantir que o OI disponibiliza um organigrama que abranja todas as suas funções, assegurando que o princípio da segregação de funções é respeitado.

b) Descrição das funções de cada unidade, identificando os recursos humanos afetos, a sua formação e experiência em áreas semelhantes

Unidade	Colaboradores [1)]	Formação Académica	Anos de experiência em áreas semelhantes	Descrição da função [2)]
Unidade A	*Dirigente (x)*	*As que prevalecem*	*Indicar média*	
	Técnico Superior (y)	*As que prevalecem*	*Indicar média*	

1) Indicação do grupo de pessoal e do respetivo número de colaboradores.

2) Na descrição da função deverá ser detalhado o âmbito e objetivos do trabalho, bem como as tarefas e as responsabilidades por Unidade.

De referir que a AG deverá assumir que os aspectos sinalizados na alínea b) do ponto anterior são descritos pelo OI.

2.2.2. Quadro destinado a garantir um exercício adequado da gestão dos riscos, se necessário, e, especialmente, no caso de alterações importantes do sistema de gestão e controlo.

- A AG deverá descrever os procedimentos adotados para a realização do exercício de gestão de riscos. Neste contexto, deverá identificar: quem é responsável pela sua realização e a que nível é efetuado (a nível organizacional, a nível de uma atividade específica), que tipos de riscos foram identificados (internos, externos, …) e a periodicidade em que a avaliação de risco é efetuada (a CE recomenda que seja realizado numa base anual).
- A AG deverá descrever os procedimentos adotados para a realização do exercício de gestão de riscos em situações de alterações significativas ao sistema de gestão e controlo.
- A AG deverá descrever os procedimentos adotados para transpor os resultados da avaliação de risco num plano de ação, bem como os procedimentos relativos ao seu follow-up (identificando quem efetua e como).
- A AG deverá assumir que, no âmbito da realização da avaliação de risco, assegura que também efetua uma avaliação do risco de fraude (ver ponto 2.1.4 da presente descrição).
- A AG deverá assumir a elaboração de disposições internas para a gestão de risco que inclua a avaliação do risco de fraude (ex. elaboração de um manual de gestão de risco).

A gestão de risco pressupõe a elaboração de um manual, que inclua a avaliação do risco de fraude.

2.2.3. Descrição dos procedimentos a seguir indicados (que devem ser comunicados por escrito ao pessoal responsável da autoridade de gestão e dos organismos intermediários; data e referência):

Identificação do documento	Entidade responsável pela sua elaboração	Data de aprovação		A utilizar por	Âmbito
		OI	AG		

- A AG deverá descrever o procedimento formal de introdução, alteração ou supressão de procedimentos nos seus manuais, bem como indicar a data e a referência. Quando o manual também é utilizado pelos OI, deverá ser descrito de que forma o mesmo lhes será transmitido, bem como as respetivas alterações.
- Quando o OI utiliza procedimentos diferentes dos estabelecidos pela AG, esta deverá assumir que os procedimentos a adotar estão em conformidade com o estabelecido na legislação e que os manuais serão objeto de aprovação pela AG.
- A AG deverá assumir que disponibiliza ao OI toda a informação relevante para o exercício das funções delegadas.

2.2.3.1. Procedimentos para apoiar o trabalho do comité de acompanhamento.

- A AG deverá descrever os procedimentos adotados para apoiar o trabalho do comité de acompanhamento. A AG deverá assegurar que os mesmos são adequadamente divulgados pelos colaboradores.
- Caso venham a ser identificadas fragilidades pelo comité de acompanhamento, a AG deverá assumir que serão adotadas medidas apropriadas para a sua resolução.
- A AG deverá descrever os procedimentos para a elaboração de reportes regulares que comparem a execução do programa face ao planeado e relativos às avaliações previstas nos artigos 56.º e 57.º do Reg. (UE) n.º 1303/2013, tendo em vista o estabelecido na alínea a) do n.º 2 do artigo 125.º do Reg. (UE) n.º 1303/2013.

Integrando estes requisitos o regulamento interno aprovado em Comité de Acompanhamento a AG deverá efetuar remissão para este documento.

2.2.3.2. Procedimentos para assegurar um sistema de recolha, registo e armazenamento eletrónico dos dados relativos a cada operação, que sejam necessários para os exercícios de monitorização, avaliação, gestão financeira, verificação e auditoria, incluindo, se for caso disso, dados sobre cada participante[3] e uma repartição dos dados sobre os indicadores por sexo.

- A AG deverá descrever os procedimentos adotados para garantir o registo e arquivo eletrónico dos dados de cada operação necessários para os exercícios de monitorização, avaliação, gestão financeira, verificação e auditoria, incluindo, se for caso disso, os dados sobre os participantes individuais nas operações (cf. estabelece a alínea d) do n.º 2 do artigo 125.º do Reg. (UE) n.º 1303/2013). Os dados a registar devem respeitar o artigo 24.º do Reg. Delegado (UE) n.º 480/2014 da Comissão e Anexo III[4] do mesmo Regulamento. Por outro lado, a AG deve garantir que os dados recolhidos sobre os indicadores são classificados por sexo quando exigido pelo Anexo I[5] e II[6] do Reg. (UE) n.º 1304/2013 do FSE (cf. consta na alínea e) do n.º 2 do artigo 125.º do Reg. (UE) n.º 1303/2013).
- O sistema de informação deve fornecer informações fiáveis e relevantes de modo a apoiar o Comité de Acompanhamento para o desempenho das suas funções, nomeadamente dados sobre os progressos do PO na realização dos seus objetivos, dados financeiros e dados relativos aos indicadores e objetivos intermédios (cf. alínea a) do n.º 2 do artigo 125.º do Reg. (UE) n.º 1303/2013).

Na elaboração deste ponto a AG deverá ter em atenção o ponto 4.1.1, relativo aos sistemas de informação.

2.2.3.3 Procedimentos para supervisionar as funções formalmente delegadas pela autoridade de gestão ao abrigo do artigo 123.º, n.ºs 6 e 7 do Regulamento (UE) n.º 1303/2013.

- A AG deverá descrever os procedimentos adotados para assegurar, ao longo do período de programação,

3 Cf. Anexo II do Regulamento n.º 1304/2013, participantes são as pessoas que beneficiam diretamente de uma intervenção da IEJ (Iniciativa para o Emprego dos Jovens) e que podem ser identificadas pelas suas características e inquiridas sobre as mesmas, e a quem as despesas específicas são destinadas.

4 Anexo III – Lista dos dados a registar e armazenar em formato eletrónico no âmbito do sistema de monitorização (a que se refere o artigo 24.º).

5 Anexo I – Indicadores de realização e de resultado comuns para os investimentos para o FSE.

6 Anexo II – indicadores de resultados para o IEJ.

o reporte e a monitorização das tarefas delegadas nos OI, os quais deverão contemplar, nomeadamente: a verificação da capacidade do OI para desempenhar as funções delegadas; a revisão das metodologias; a análise regular dos resultados reportados e a re-performance do trabalho efetuado com base numa amostra. A AG deverá assegurar que todas as verificações a realizar são documentadas.

- A AG deverá descrever os procedimentos instituídos para a supervisão da implementação das funções delegadas.

Funções [Cf. quadro do pt. 2.1.2 e 2.1.3]		Delegada no OI	Descrição dos procedimentos estabelecidos para o exercício de supervisão - Resumo
Ref.ª	Descrição		

- Nos casos em que a AG delegou a gestão de parte de um PO num OI mediante acordo escrito entre esse organismo e a AG (cf. n.º 7 do artigo 123.º do Reg. (UE) n.º 1303/2013), a AG deverá descrever os procedimentos para assegurar que o OI mantém garantias de solvabilidade e competência no domínio em causa, bem como da sua capacidade em matéria de gestão administrativa e financeira.

2.2.3.4. Procedimentos para avaliar, selecionar e aprovar as operações e garantir a sua conformidade, durante todo o período de execução, com as regras aplicáveis (artigo 125.º, n.º 3, do Regulamento (UE) n.º 1303/2013), incluindo instruções e orientações que assegurem o contributo das operações para a realização dos objetivos e resultados específicos das prioridades relevantes, em conformidade com o disposto no artigo 125.º, n.º 3, alínea a), subalínea i), do Regulamento (UE) n.º 1303/2013, bem como procedimentos destinados a garantir que as operações não são selecionadas caso tenham sido materialmente concluídas ou totalmente executadas antes da apresentação do pedido de financiamento pelo beneficiário (incluindo os procedimentos utilizados pelos organismos intermediários nos quais os exercícios de avaliação, seleção e aprovação das operações tenham sido delegados).

Fase	Organismo responsável (AG/OI)	Referência capítulo/ponto do Manual de Procedimentos	Descrição-Resumo do Procedimento
Informação/Comunicação			1
Avaliação/Seleção			2
Aprovação			3

1 – Informação/Comunicação

- A AG deverá descrever a estratégia adotada para assegurar que os potenciais beneficiários têm acesso à informação necessária sobre as oportunidades de financiamento concedidas no âmbito do PO e recebem orientações de forma adequada (folhetos, brochuras, seminários, workshops, web sites, …).

2 – Avaliação/Seleção

2.a) Convites/avisos à apresentação de candidaturas

- Relativamente aos convites/avisos à apresentação de candidaturas, a AG deverá descrever os procedimentos a adotar para cumprir o disposto no artigo 115.º do Reg. (EU) n.º 1303/2013 e no ponto 3. do Anexo XII do mesmo Regulamento, especificando nomeadamente:
  - os procedimentos de divulgação dos convites/avisos;
  - os procedimentos para uma descrição clara dos critérios de seleção das operações a apoiar, bem como os direitos e obrigações dos beneficiários;
  - os procedimentos de divulgação aos potenciais beneficiários e todas as partes interessadas.

2.b) Receção das candidaturas

- A AG deverá descrever os procedimentos adequados para garantir que todas as candidaturas recebidas são registadas, que existe evidência que é enviado um recibo de receção a cada beneficiário e que é conservado um registo do estado de cada candidatura.

2.c) Critérios de seleção das operações

- Nos termos da alínea a) do n.º 3 do artigo 125.º do Reg. (UE) n.º 1303/2013, a AG deverá descrever os procedimentos e os critérios adequados de seleção das operações:

i) que garantam o contributo das operações para a realização dos objetivos e resultados específicos dos eixos prioritários relevantes;

ii) não discriminatórios e transparentes; e

iii) que tenham em conta a promoção da igualdade entre homens e mulheres e não discriminação e o desenvolvimento sustentável (artigo 7.º e 8.º do Reg. (UE) n.º 1303/2013, respetivamente).

- A AG deverá garantir que os procedimentos adotados asseguram que as operações não são selecionadas quando tenham sido materialmente concluídas ou totalmente executadas antes da apresentação do pedido de financiamento pelo beneficiário (n.º 6 do artigo 65.º do Reg. (UE) n.º 1303/2013).

2.d) Análise/seleção das operações

- A AG deverá descrever os procedimentos que assegurem que as candidaturas/operações são avaliadas de acordo com os critérios aplicáveis. A avaliação deverá ser aplicada consistentemente e o critério/pontuação usado deverá estar em conformidade com o aprovado pela Comissão de Acompanhamento e com o referido no convite/aviso à apresentação de candidaturas. Os resultados deverão ser documentalmente suportados, devendo ser avaliado o conteúdo das candidaturas, bem como a capacidade administrativa, financeira e operacional do beneficiário para cumprir o plano de financiamento.

  No caso de envolvimento de entidades externas, a AG deverá assumir que os envolvidos na avaliação das candidaturas/operações possuem experiência comprovada e independência necessária.

- Na fase de seleção das candidaturas e relativamente às verificações de gestão (n.º 4 a 7 do artigo 125.º do Reg. (UE) n º 1303/2013), a AG deverá descrever os procedimentos adotados para assegurar a conformidade da operação com os princípios gerais e com as políticas da União, tais como:

  - os relacionados com parceria e governação a vários níveis (transparência, igualdade de tratamento);
  - promoção e igualdade entre homens e mulheres;
  - não-discriminação;
  - acessibilidade para pessoas com deficiência;
  - desenvolvimento sustentável;
  - contratação pública;
  - ajudas de estado;
  - regras ambientais.

- A AG, nos termos das alíneas b) e d) a g) no n.º 3 do artigo 125.º do Reg. (UE) n º 1303/2013, deverá descrever os procedimentos adotados para a seleção das operações. Os mesmos deverão ser claros e suficientes e assegurar que:

  - a operação selecionada corresponde ao âmbito do Fundo ou Fundos em causa e pode ser atribuída à categoria de intervenção identificada na ou nas prioridades do programa operacional (alínea b);

  - é verificado se o beneficiário tem capacidade administrativa, financeira e operacional para cumprir as condições referidas no plano de financiamento, antes de a operação ser aprovada (alínea d);

  - sempre que a operação tenha início antes da apresentação do pedido de financiamento à AG, é verificado se foi cumprida a legislação aplicável à operação em causa (alínea e);

  - as operações selecionadas para receber apoio dos Fundos não incluem atividades que tenham feito parte de uma operação que tenha sido ou devesse ter sido objeto de um procedimento de recuperação em conformidade com o artigo 71º (relativo à durabilidade das operações), na sequência de uma deslocalização de uma atividade produtiva fora da área do programa (alínea f);

  - são determinadas a categoria de intervenção a que serão atribuídas as despesas da operação (alínea g);

- No caso do POCTEA, a definição dos procedimentos para seleção das operações deverá ter em conta o estabelecido no artigo 12.º do Reg. (UE) n º 1299/2013 (seleção de operações).

- No caso de envolvimento de entidades externas, a AG deverá assumir que todos os envolvidos na análise e seleção das operações preenchem uma declaração de conflito de interesses.

3 – Aprovação

- A AG deverá descrever os procedimentos estabelecidos que assegurem que as decisões adotadas quer de aceitação quer de rejeição das candidaturas/operações são comunicadas aos beneficiários. As decisões tomadas devem ser devidamente autorizadas pela pessoa/entidade competente, os resultados devem ser notificados por escrito e os motivos da aceitação/rejeição devem ser claramente apresentados nessa notificação. As alegações e as relativas decisões devem ser publicadas.

No que se refere ao exercício da supervisão das funções delegadas nos OI, ver ponto 2.2.3.3 da presente descrição.

2.2.3.5. Procedimentos destinados a assegurar que seja disponibilizado ao beneficiário um documento com a indicação das condições de apoio para cada operação, incluindo procedimentos para assegurar que os

beneficiários utilizam um sistema de contabilidade separado ou uma codificação contabilística adequada de todas as transações relacionadas com uma operação.

- A AG, nos termos da alínea c) do n.º 3 do artigo 125.º do Reg. (UE) n º 1303/2013, deverá assumir que é disponibilizado ao beneficiário um documento sobre as condições de apoio para cada operação. Este documento deverá assegurar uma efetiva comunicação dos direitos e obrigações aos beneficiários, nomeadamente:
  - regras de elegibilidade nacionais estabelecidas para o PO;
  - regras de elegibilidade comunitárias;
  - requisitos específicos aplicáveis aos produtos ou serviços a realizar no âmbito da operação;
  - o plano de financiamento e o prazo de execução;
  - sistema contabilístico separado ou a codificação contabilística adequada para todas as transações relacionadas com a operação;
  - documentação a conservar e a comunicar;
  - obrigações relativas a informação e publicidade.
- A AG deverá assumir a definição de um contrato modelo a celebrar entre a AG e o chefe de fila/líder da parceria, e entre este e os parceiros, quando aplicável.

2.2.3.6. Procedimentos para a verificação das operações (em conformidade com os requisitos do artigo 125.º, n.º 4 a 7, do Regulamento (UE) n.º 1303/2013), incluindo os procedimentos destinados a assegurar a conformidade das operações com as políticas da União (nomeadamente em matéria de parceria e governação a vários níveis, promoção da igualdade entre homens e mulheres, não discriminação, acessibilidade para pessoas com deficiência, desenvolvimento sustentável, adjudicação de contratos públicos, auxílios estatais e regras ambientais), e identificação das autoridades ou organismos que realizam essas verificações. A descrição deve abranger as verificações da gestão administrativa relativamente a cada pedido de reembolso apresentado pelos beneficiários e as verificações da gestão in loco, que podem ser realizadas com base numa amostra. Caso as verificações da gestão tenham sido delegadas em organismos intermediários, a descrição deve incluir os procedimentos aplicados por esses organismos para realizar as verificações e os procedimentos aplicados pela autoridade de gestão para supervisionar a eficácia das funções delegadas nos organismos intermediários. A frequência e o âmbito das verificações devem ser proporcionais ao montante de apoio público concedido a cada operação e ao nível de risco identificado por essas verificações e pelas auditorias realizadas pela autoridade de auditoria ao sistema de gestão e controlo no seu conjunto.

Fase	Organismo responsável (AG/OI)	Referência capítulo/ ponto do Manual de Procedimentos	Descrição-Resumo do Procedimento
Verificações de gestão:			1
a) Verificações administrativas			2
b) Verificações no local das operações			3

1 – Verificações de Gestão

- A AG, nos termos da alínea a) do n.º 4 do artigo 125.º do Reg. (UE) n º 1303/2013, deverá descrever os procedimentos adotados para as verificações de gestão que garantam que:
  - Os produtos e serviços cofinanciados foram fornecidos;
  - A despesa declarada pelo beneficiário foi paga e está em conformidade com a legislação aplicável (incluindo as regras de elegibilidade nacionais), com o PO e cumpre as condições de apoio da operação;
  - A despesa declarada está em conformidade com as políticas da União, tais como:
    - os relacionados com parceria e governação a vários níveis (transparência, igualdade de tratamento);
    - promoção e igualdade entre homens e mulheres;
    - não-discriminação;
    - acessibilidade para pessoas com deficiência;
    - desenvolvimento sustentável;
    - contratação pública;
    - ajudas de estado;
    - regras ambientais.

Estas verificações de gestão, nos termos do n.º 5 do artigo 125.º do Reg. (UE) n º 1303/2013, deverão incluir:

- verificações administrativas relativamente a cada pedido de reembolso por parte dos beneficiários; e
- verificações das operações no local, as quais podem ser realizadas por amostragem.

- A AG deverá assumir que as verificações de gestão incidem, de forma apropriada, sobre os aspetos administrativos, financeiros, técnicos e físicos das operações.
- Para o POCTEA, a AG deverá descrever os procedimentos a adotar na verificação da legalidade e regularidade das despesas pelo Secretariado Conjunto pelos Controladores em cada EM. Poderão ser estabelecidas regras específicas sobre as verificações para o Programa de acordo com o regulamento específico.
- A AG deverá assumir que estabeleceu procedimentos escritos e check-list claras e objetivas para as verificações de gestão, de modo a detetar eventuais irregularidades. As check-list deverão incidir em particular na verificação dos seguintes aspetos:
    - correto preenchimento dos pedidos de reembolso;
    - período de elegibilidade;
    - conformidade com o projeto aprovado;
    - conformidade com a taxa de financiamento aprovada;
    - conformidade com as regras de elegibilidade e com as regras nacionais e comunitárias em matéria de contratação pública, ajudas de estado, ambientais, instrumentos financeiros, desenvolvimento sustentável, publicidade, igualdade de oportunidades e não-discriminação;
    - estado atual do projeto, incluindo a conformidade da execução física do produto/serviço com os termos e condições do contrato de financiamento/termo de aceitação e com os indicadores de realização e de resultados;
    - despesa declarada e a existência de uma pista de auditoria;
    - existência de um sistema contabilístico separado ou uma codificação contabilística adequada para todas as transações relacionadas com a operação, incluindo a verificação da correta afetação das despesas apenas parcialmente relacionadas com a operação cofinanciada e de algumas tipologias de despesas que são consideradas elegíveis apenas dentro de certos limites ou proporcionalmente a outros custos.
- A AG deverá assumir que conservará registos que evidenciem o trabalho efetuado, as datas e os resultados das verificações, bem como o seguimento das conclusões incluindo as medidas adotadas relativas às irregularidades detetadas.
- A AG deverá assumir que transmite à AC e à AA informação sobre as verificações realizadas, bem como sobre as deficiências e/ou irregularidades detetadas (incluindo as suspeitas de fraude e fraude) no âmbito das verificações de gestão, auditorias e controlos realizados por autoridades nacionais e comunitárias e o respetivo acompanhamento.

- A AG deverá assumir que, quando for simultaneamente um beneficiário no âmbito do PO, as verificações de gestão respeitam uma adequada separação funções.
- No caso do POCTEA, a AG deverá descrever os procedimentos estabelecidos por forma a que os controladores designados ao abrigo do artigo 23.º do Reg. (UE) n.º 1299/2013 reportem à AG, para que esta cumpra as obrigações previstas no artigo 125.º do Reg. (UE) n.º 1303/2013.

Sempre que a AG/OI recorrer a outsourcing para a realização das verificações de gestão, a AG deverá assumir que efetuará o controlo de qualidade destas verificações. Neste contexto, a AG deverá descrever os procedimentos adotados para a realização do controlo de qualidade (incluindo a elaboração de check-list de análise específicas). A AG deverá igualmente assumir que quando as verificações administrativas e no local forem efetuadas com recurso a outsourcing é assegurado o princípio de segregação de funções.

2 – Verificações administrativas

- A AG deverá descrever os procedimentos adotados para assegurar que as verificações administrativas relativas a despesas incluídas num pedido de reembolso apresentado pelo beneficiário são concluídas antes da submissão do pedido de pagamento intermédio, incluindo quer a análise do pedido de reembolso quer dos respetivos documentos de suporte relevantes.

  A AG deverá assumir que a abrangência e o tipo de documentação de suporte a solicitar aos beneficiários para as verificações administrativas se baseia numa análise de risco por tipo de processo ou beneficiário.

3 – Verificações no local das operações

- A AG deverá descrever os procedimentos adotados que assegurem que a frequência e o alcance das verificações no local das operações (nº 5 do artigo 125.º do Reg. (UE) n.º 1303/2013) são proporcionais ao montante de apoio público concedido a uma operação e ao nível do risco identificado por essas verificações e pelas auditorias realizada pela AA ao sistema de gestão e controlo no seu conjunto.
- Quando as verificações no local das operações forem realizadas por amostragem, a AG deverá assumir que são conservados registos/documentos que descrevam e justifiquem o método de seleção adotado.

- No caso do POCTEA, a AG deverá especificar se as verificações no local as operações irão abranger apenas o líder do projeto ou todos os parceiros.
- A AG deverá descrever os procedimentos adotados que assegurem que as verificações no local das operações são realizadas durante a execução física e financeira do projeto.
- Quando as verificações no local das operações não são exaustivas, a AG deverá assumir que o método de amostragem integra uma análise de risco adequada, que existem registos das operações selecionadas, que existe uma descrição do método de amostragem utilizado e que a amostra fornece uma visão geral das conclusões das verificações e das irregularidades detetadas.

As orientações da CE sobre esta matéria constam do documento EGESIF–14-0012, de 06/01/2015.

A ADC divulgará orientações em matéria de verificações de gestão.

No que se refere ao exercício da supervisão das funções delegadas nos OI, ver ponto 2.2.3.3 da presente descrição.

2.2.3.7. Descrição dos procedimentos pelos quais os pedidos de reembolso dos beneficiários são recebidos, verificados e validados, e através dos quais os pagamentos aos beneficiários são autorizados, executados e contabilizados, em conformidade com as obrigações do artigo 122.º, n.º 3, do Regulamento (UE) n.º 1303/2013, a partir de 2016 (incluindo os procedimentos utilizados pelos organismos intermediários, caso o tratamento dos pedidos de reembolso tenha sido delegado), a fim de respeitar o prazo de 90 dias para os pagamentos aos beneficiários, em conformidade com o artigo 132.º do Regulamento (UE) n. º 1303/2013.

- A AG deverá descrever os procedimentos a adotar para o tratamento dos pedidos de reembolso e processamento dos pagamentos, os quais deverão abranger, nomeadamente:
  - As fases de receção, verificação e validação dos pedidos de reembolso;
  - As fases de autorização e execução e contabilização dos pagamentos.
- A AG deverá indicar o organismo responsável pela execução de cada fase do processamento dos pedidos de reembolso.

Fase	Âmbito [Identificação do Eixo/Regulamento]	Organismo responsável (AG/OI/Entidade Pagadora)	Referência capítulo/ponto do Manual de Procedimentos	Descrição-Resumo do Procedimento

- A AG deverá descrever as modalidades de pagamentos (ex. adiantamento, reembolso).
- A AG deverá garantir uma adequada separação de funções.
- A AG deverá assumir que todos os documentos de suporte relevantes são devidamente conservados.
- A AG deverá assumir que os procedimentos adotados permitem respeitar o prazo de 90 dias para os pagamentos aos beneficiários em conformidade com o artigo 132.º do Regulamento (UE) n. º 1303/2013.
- A AG deverá assumir que após 31/12/2015 a informação relativa a pagamentos só pode ser trocada entre OI, AG, AC e BF através de sistema de informação.

A ADC exercerá a funções Entidade Pagadora, exceto no caso das AG das Regiões Autónomas e dos OI com competências delegadas/entidades responsáveis pela aplicação de instrumentos financeiros (cf. Título V do **Modelo de Governação). Neste contexto, a ADC assume a descrição dos procedimentos relativos** às **fases de autorização, execução e contabilização dos pagamentos, a qual será disponibilizada às AG.**

A ADC, enquanto Entidade Pagadora, assume que o sistema de informação estará operacional por forma a dar cumprimento ao n.º 3 do artigo 122.º do Reg. (UE) n.º 1303/2013.

A ADC divulgará instruções sobre a informação a disponibilizar para o sistema de informação.

2.2.3.8. Identificação das autoridades ou organismos que executam cada uma das etapas do tratamento dos pedidos de reembolso, incluindo um fluxograma com indicação de todos os organismos envolvidos.

A AG deverá elaborar um fluxograma com a indicação das autoridades ou organismos que realizam cada etapa do processamento dos pedidos de reembolso.

2.2.3.9. Descrição do processo de envio da informação à autoridade de certificação pela autoridade de gestão, incluindo sobre deficiências e/ou irregularidades (nomeadamente, suspeitas de fraude ou fraudes

comprovadas) que sejam detetadas e o seu acompanhamento no contexto das verificações da gestão, das auditorias e dos controlos a efetuar pelos organismos da União ou nacionais.

- A AG deverá descrever os procedimentos adotados para a transmissão de informação à AC, nomeadamente;
  - Informação sobre os resultados das verificações de gestão;
  - Informação sobre as deficiências e/ou irregularidades (incluindo casos comprovados ou de suspeita de fraude) detetadas e seu acompanhamento no contexto das verificações de gestão, auditorias e controlos realizados por entidades de controlo nacionais e comunitárias.

A AC divulgará instruções sobre a informação a reportar para efeitos de certificação.

2.2.3.10. Descrição do processo de envio da informação à autoridade de auditoria pela autoridade de gestão, incluindo sobre deficiências e/ou irregularidades (nomeadamente, suspeitas de fraude ou fraudes comprovadas) que sejam detetadas e o seu acompanhamento no contexto das verificações da gestão, das auditorias e dos controlos a efetuar pelos organismos da União ou nacionais.

- A AG deverá descrever os procedimentos adotados para a transmissão de informação à AA, incluindo informação sobre as deficiências e/ou irregularidades (incluindo casos comprovados ou de suspeita de fraude) detetadas e seu acompanhamento no contexto das verificações de gestão, auditorias e controlos realizados por entidades de controlo nacionais e comunitárias.

A ADC, em articulação com a AA, divulgará instruções sobre a informação a disponibilizar para o sistema de informação relativo às auditorias.

2.2.3.11. Referências às regras nacionais de elegibilidade estabelecidas pelo Estado-Membro e aplicáveis ao programa operacional.

- A AG deverá listar os normativos nacionais e comunitários aplicáveis ao PO.

Diploma	Data de publicação	Assunto

2.2.3.12. Procedimentos para elaborar e apresentar à Comissão os relatórios de execução anuais e finais (artigo 125.º, n.º 2, alínea b), do Regulamento (UE) n.º 1303/2013), incluindo os procedimentos para recolher e comunicar dados fiáveis sobre os indicadores de desempenho (artigo 125.º, n.º 2, alínea a), do Regulamento (UE) n.º 1303/2013).

- A AG deverá descrever os procedimentos adotados para a elaboração e submissão dos relatórios anuais e finais de execução, os quais deverão ser devidamente divulgados a todos os colaboradores envolvidos.
- A AG deverá assegurar que possui procedimentos para recolher e comunicar dados fiáveis sobre os indicadores de desempenho (al. a) do n.º 2 do artigo 125.º do Regulamento (UE) n.º 1303/2013).

A ADC divulgará instruções em matéria de indicadores e requisitos para o sistema de informação.

2.2.3.13. Procedimentos para elaborar a declaração de gestão (artigo 125.º, n.º 4, alínea e), do Regulamento (UE) n.º 1303/2013).

- A AG deverá descrever os procedimentos adotados para a elaboração da declaração de gestão.
- A AG deverá assumir que a declaração de gestão se baseia no resumo anual dos relatórios de auditoria e dos controlos realizados e é elaborada de acordo com o modelo estabelecido no regulamento de implementação da CE;
- No âmbito da elaboração da declaração de gestão e do resumo anual dos relatórios de auditoria e dos

controlos realizados, a AG deverá assumir que:

- Antes da submissão dos pedidos de pagamento à AC, os mesmos foram analisados por forma a garantir que a informação a incluir nas contas (a que se refere a alínea a) do n.º 5 do artigo 59.º do Regulamento Financeiro) é devidamente apresentada, completa e precisa;
- Antes da submissão dos pedidos de pagamento à AC, os mesmos foram analisados para confirmar que apenas incluem despesas para o fim a que se destinam;
- Que o sistema de controlo implementado oferece as garantias necessárias relativamente à legalidade e regularidade das transações subjacentes.

  A AG deverá implementar uma política de recursos humanos que garanta o efetivo funcionamento do sistema. Deverá igualmente assegurar que os riscos são geridos de acordo com disposições internas (ex. manual de gestão de riscos). A AG deverá descrever os procedimentos adotados para assegurar que as irregularidades são prevenidas, detetadas e reportadas em tempo oportuno.
- A implementação do Programa é monitorizada numa base regular, principalmente no que diz respeito: à seleção de projetos; à preparação e submissão dos grandes projetos; à contratação pública e à implementação de projetos.

- A AG deverá descrever os procedimentos adotados para confirmar a fiabilidade dos dados relativos aos indicadores, metas e progressos do PO.
- A AG deverá descrever os procedimentos que assegurem adoção de medidas antifraude efetivas e proporcionais e assumir que os resultados dessas medidas são tidas em conta na elaboração da declaração de gestão.
- A AG deverá assumir que face a alterações do sistema, exceções aos procedimentos e deficiências de controlo interno, atua de acordo com os procedimentos internos estabelecidos.
- A AG deverá assumir que a declaração de gestão, bem como os documentos de suporte e a informação relevantes, são disponibilizados atempadamente à AA para efeitos da sua avaliação (adequada definição de prazos internos).

A AC divulgará instruções sobre a informação a disponibilizar pela AG para efeitos da elaboração das Contas, bem como relativamente ao sistema de informação em matéria de auditorias.

Serão estabelecidos os prazos internos para a apresentação à AC e à AA **da Declaração de Gestão e das Contas.**

2.2.3.14. Procedimentos para elaborar a síntese anual dos relatórios finais de auditoria e dos controlos realizados, incluindo uma análise da natureza e extensão dos erros e deficiências identificados nos sistemas, bem como as medidas corretivas adotadas ou previstas (artigo 125.º, n.º 4, alínea e), do Regulamento (UE) n.º 1303/2013).

- A AG deverá assumir que os resultados das verificações de gestão são incluídos no resumo anual e que são relevados na conclusão sobre o efetivo funcionamento do sistema de controlo implementado e na legalidade e regularidade das transações subjacentes.
- A AG deverá descrever os procedimentos adotados que assegurem que as recomendações dos relatórios finais das entidades de controlo relevantes (nacionais e comunitárias) são seguidas e implementadas.
- AG deverá descrever os procedimentos que assegurem que são adotadas medidas relativas às deficiências /problemas identificados nos controlos realizados.
- A AG deverá assumir que o resumo anual, bem como os documentos de suporte e a informação relevantes, são disponibilizados atempadamente à AA para efeitos da sua avaliação (adequada definição de prazos internos).
- A AG deverá descrever os procedimentos adotados para o reporte dos controlos efetuados e das deficiências identificadas e elaboração do resumo anual dos relatórios finais de auditoria e dos controlos efetuados.

A AC divulgará instruções sobre a informação a disponibilizar pela AG para efeitos da elaboração das Contas, bem como relativamente ao sistema de informação em matéria de auditorias.

A ADC divulgará os requisitos para o sistema de informação.

Serão estabelecidos os prazos internos para a apresentação à AC e à AA do resumo anual dos relatórios finais de auditoria e dos controlos realizados.

2.2.3.15. Procedimentos relativos à comunicação dos procedimentos acima referidos ao pessoal responsável, e indicação das ações de formação organizadas/previstas e eventuais orientações formuladas (data e referência).

- A AG deverá assumir que os procedimentos acima descritos, bem como outras orientações emitidas, são devidamente transmitidos a todos os colaboradores.
- A AG deverá assumir o estabelecimento de um plano de formação adequado.
- A AG deverá assumir que os pontos anteriores são igualmente aplicados nos OI.

2.2.3.16 Descrição, se for caso disso, dos procedimentos da autoridade de gestão no que se refere ao âmbito, às regras e aos procedimentos relativos à eficácia dos mecanismos estabelecidos pelo Estado-Membro[7] para apreciar as queixas relativas aos FEEI, no âmbito do artigo 74.º, n.º 3, do Regulamento (UE) n.º 1303/2013.

- A AG deverá descrever os procedimentos que assegurem a existência de medidas eficazes para a apreciação de litígios relacionados com os FEEI.

A descrição deste ponto deverá ter em conta o estabelecido nos artigos 62.º e 63.º do Modelo de Governação quanto à criação do Curador do beneficiário.

2.3. Pista de auditoria

2.3.1. Procedimentos destinados a garantir uma pista de auditoria e um sistema de arquivo adequados, incluindo no que diz respeito à segurança dos dados, tendo em conta o disposto no artigo 122.º, n.º 3, do Regulamento (UE) n.º 1303/2013, em conformidade com as regras nacionais sobre a certificação da conformidade dos documentos (artigo 125.º, n.º 4, alínea d), do Regulamento (UE) n.º 1303/2013, e artigo 25.º do Regulamento Delegado (UE) n.º 480/2014 da Comissão).

- A AG deverá descrever os procedimentos adotados que garantam a manutenção dos registos:
  - de cada verificação e evidenciem o trabalho efetuado, a data e o resultado das verificações;

7 Referência ao documento ou legislação nacional em que foram estabelecidos estes mecanismos eficazes pelo Estado-Membro.

- o follow-up das constatações, incluindo as medidas adotadas relativas às irregularidades detetadas.

- A AG deverá assumir que mantém um registo da entidade e da sua localização, bem como dos documentos de suporte das despesas e das auditorias;

- A AG deve assumir que a pista de auditoria é suficiente para:

  - possibilitar a reconciliação dos montantes agregados certificados à CE com o detalhe dos registos contabilísticos e dos documentos de suporte mantidos pela AC, AG, OI e beneficiários no que respeita às operações cofinanciadas pelo PO;

  - verificar o pagamento da contribuição pública ao beneficiário;

  - verificar a aplicação dos critérios de seleção estabelecidos pelo Comité de Acompanhamento;

  - garantir que contém em relação a cada operação as especificações técnicas, o plano financeiro, os documentos relativos ao montante aprovado, os documentos relativos aos procedimentos de contratação pública, os relatórios de progresso e das verificações, bem como das auditorias efetuadas.

- A AG deverá assumir que as especificações técnicas, o plano financeiro, os relatórios de progresso e de monitorização, os documentos respeitantes à candidatura, análise, seleção, montantes aprovados, contratação pública, os relatórios das verificações dos produtos e serviços cofinanciados são mantidos a um nível de gestão adequado.

- A AG deverá assumir que os registos contabilísticos das operações são mantidos a um nível de gestão adequado e que fornecem informações detalhadas sobre as despesas efetivamente incorridas pelo beneficiário em cada operação cofinanciada. O sistema contabilístico deverá permitir tanto ao beneficiário como aos outros organismos envolvidos identificar os pagamentos com respetiva justificação.

2.3.2. Instruções dadas sobre a conservação de documentos comprovativos por parte dos beneficiários/organismos intermediários/autoridade de gestão (data e referência):

- A AG deverá assumir que serão dadas instruções aos beneficiários e OI sobre a conservação dos documentos necessários para garantir uma pista de auditoria adequada.

2.3.2.1. Indicação do período durante o qual os documentos devem ser conservados.

- A AG deverá descrever os procedimentos adotados que visam assegurar que todos os documentos necessários a uma pista de auditoria adequada são mantidos de acordo com o estabelecido no artigo 140.º do Reg. (UE) n º 1303/2013, nomeadamente quanto ao período de tempo em que os mesmos devem ser arquivados.

O artigo 140.º do Reg. (UE) n.º 1303/2013 estabelece os seguintes prazos para a conservação dos documentos:	
Custo Total Elegível	**Prazo**
< a 1M €	**3 anos a contra do dia 31 de dezembro seguinte à apresentação das contas que incluem as despesas da operação**
> a 1M €	**2 anos a contar do dia 31 de dezembro seguinte à apresentação das contas que incluem as despesas finais da operação concluída**

2.3.2.2. Formato em que os documentos devem ser conservados.

- A AG deverá descrever os procedimentos adotados que visam assegurar que todos os documentos necessários a uma pista de auditoria adequada são mantidos de acordo com o estabelecido no n.º 3 do artigo 122.º[8], na alínea d) do n.º 4 do artigo 125.º, no artigo 140.º do Reg. (UE) n º 1303/2013, no artigo 25.º do Reg. Delegado (UE) n.º 480/2014 e de acordo com as regras nacionais relativas à conformidade dos documentos, nomeadamente o tipo de documentos que devem ser arquivados e o respetivo formato.

A descrição deste ponto deverá igualmente ter em conta o estabelecido no artigo 11.º do Decreto-Lei n.º 159/2014.

8 Os EM devem garantir que, até 31/12/2015, todas as trocas de informações entre os beneficiários e a AG, AC, AA e OI podem ser efetuados por sistemas eletrónicos.

2.4. Irregularidades e recuperações

2.4.1. Descrição do procedimento (que deve ser comunicado por escrito ao pessoal responsável da autoridade de gestão e dos organismos intermediários: data e referência) relativo à comunicação e correção de irregularidades (incluindo fraudes) e respetivo acompanhamento, e registo de montantes retirados e recuperados, montantes a recuperar, montantes irrecuperáveis e montantes relativos a operações suspensas por processo judicial ou recurso administrativo com efeito suspensivo.

- A AG deverá assumir que elaborará procedimentos escritos relativos ao tratamento de irregularidades, incluindo casos de fraude. Estes deverão ser transmitidos aos colaboradores da AG e OI. Deverão conter a data e referência. Esses procedimentos deverão abranger:
  - definição de irregularidade, suspeita de fraude ou fraude;
  - deteção e registo de irregularidades, incluindo casos de fraude;
  - reporte de irregularidades (incluindo um formato padronizado), suspeita de fraude e reporte dos casos de fraude à CE via sistema de gestão de irregularidades da OLAF (IMS - Irregularities Management System);
  - correção de irregularidades, incluindo suspeita de fraude e fraude;
  - acompanhamento do processo administrativo e judicial das irregularidades.
- A AG deverá descrever os procedimentos adotados que asseguram a coordenação com o serviço nacional de coordenação anti-fraude (AFCOS) de acordo com o previsto no n.º 4 do artigo 3.º do Reg. (UE, EURATOM) n.º 883/2013, do Parlamento e do Conselho;
- A AG deverá descrever procedimentos para corrigir e mitigar o risco de futuras recorrências, no caso de irregularidades sistémicas.
- A AG deverá descrever claramente os procedimentos relativos ao reporte pelos colaboradores de irregularidades incluindo casos de fraude, os quais deverão constar do manual de procedimentos.
- A AG deverá descrever os procedimentos a adotar em situações de denúncia (ex. verificações específicas no âmbito da denúncia, comunicação das irregularidades a entidades externas independentes).
- A AG deverá assumir que adota regras adequadas para proteger os colaboradores de sanções internas no caso de reporte de irregularidades.

A ADC divulgará instruções sobre a informação a disponibilizar para acompanhamento e registo dos montantes retirados e recuperados, dos montantes a recuperar, dos montantes irrecuperáveis e dos montantes relativos a operações suspensas por um processo legal ou por um recurso administrativo com efeito suspensivo.

A IGF – na qualidade de AFCOS – definirá os procedimentos de articulação com as diferentes entidades responsáveis pela gestão e controlo dos fundos comunitários em matéria de comunicação de irregularidades, casos de suspeita de fraude, coordenação e implementação da estratégia antifraude, em respeito pelo princípio de segregação de funções.

2.4.2. Descrição do procedimento (incluindo um fluxograma indicando o percurso da comunicação de informações) para dar cumprimento às obrigações em matéria de comunicação de irregularidades à Comissão, a que se refere o artigo 122.º, n.º 2, do Regulamento (UE) n.º 1303/2013.

O modelo de reporte das irregularidades é estabelecido pela CE. A IGF é o organismo coordenador e responsável pela comunicação das irregularidades no sistema de gestão de irregularidades. Neste contexto, divulgará instruções sobre a informação a disponibilizar.

3. AUTORIDADE DE CERTIFICAÇÃO

Este ponto é da responsabilidade da AC.

A descrição da AC constitui um documento autónomo a ser disponibilizado pela AC às AG e AA.

4. SISTEMA DE INFORMAÇÃO

4.1. Descrição dos sistemas de informação, incluindo um fluxograma (sistema de rede central ou comum ou sistema descentralizado com ligações entre os sistemas) para:

O artigo 32.º do Reg. Delegado (UE) n.º 480/2014, relativo os dados a registar e armazenar em formato eletrónico, referidos no Anexo III do Reg. Delegado (UE) n.º 480/2014, aplica-se a partir de 01/12/2014 ou 01/07/2015 consoante a tipologia da informação a recolher (vd. ponto 4.3 da presente descrição).

Nos termos do n.º 3 do artigo 122.º do Reg. (UE) n.º 1303/2013, a partir de 01/01/2016, todas as trocas de informação entre os beneficiários, a AG, AC, AA e OI apenas podem ser efetuados por sistemas eletrónicos.

- A AG deverá descrever os sistemas de informação, bem como a sua interoperabilidade com sistemas das entidades envolvidas na gestão e controlo dos fundos comunitários. Deverá apresentar o fluxograma representativo da arquitetura dos sistemas (evidenciando os seus elementos e as ligações entre eles e se os mesmos são em rede ou são descentralizados).
- A AG deverá informar se o sistema de informação é o mesmo do período de programação anterior. Em caso afirmativo, deverá assumir que o mesmo foi considerado fiável (comprovado por auditarias ao sistema de informação).
- A AG deverá descrever os procedimentos que garantam que o sistema assegura uma adequada separação de funções.

4.1.1. Recolher, registar e armazenar, sob forma informatizada, os dados relativos a cada operação, incluindo, se for caso disso, dados sobre cada participante e uma repartição dos dados sobre os indicadores por sexo, que sejam necessários para os exercícios de monitorização, avaliação, gestão financeira, verificação e auditoria, como exigido pelo artigo 125.º, n.º 2, alínea d), do Regulamento (UE) n.º 1303/2013 e pelo artigo 24.º do Regulamento Delegado n.º 480/2014 da Comissão.

- A AG deverá assumir que detém um sistema de recolha, registo e armazenamento informatizado de dados de cada operação, necessário para os exercícios de monitorização, avaliação, gestão financeira, verificação e auditoria, incluindo, quando aplicável, dados sobre os participantes individuais nas operações, conforme exigido pela alínea d) do n.º 2 do artigo 125.º do Reg. (UE) n.º 1303/2013 e pelo artigo 24.º e Anexo III do Reg. Delegado (UE) n.º 480/2014.
- A AG deve assumir que o sistema fornece informações fiáveis e relevantes de modo a apoiar o Comité de Acompanhamento para o desempenho das suas funções, nomeadamente dados sobre o progresso do PO na realização dos seus objetivos, dados financeiros e dados relativos aos indicadores e objetivos intermédios (cf. consta na alínea a) do n.º 2 do artigo 125.º do Reg. (UE) n.º 1303/2013).

4.1.2. Garantir que os dados referidos na alínea anterior são recolhidos, introduzidos e armazenados no sistema, e que os dados sobre os indicadores são repartidos por sexo, quando exigido pelos anexos I e II do Regulamento (UE) n.º 1304/2013, em conformidade com o artigo 125.º, n.º 2, alínea e), do Regulamento (UE) n.º 1303/2013.

- A AG deverá assumir que o sistema regista e armazena os dados constantes do Anexo III[9] do Reg. Delegado (UE) n.º 480/2014 da Comissão e que os dados recolhidos sobre os indicadores são classificados por sexo quando exigido pelo Anexo I[10] e II[11] do Reg. (UE) n.º 1304/2013 do FSE (cf. consta na alínea e) do n.º 2 do artigo 125.º do Reg. (UE) n.º 1303/2013).

4.1.3. Garantir a existência de um sistema que registe e armazene, sob forma informatizada, os registos contabilísticos relativos a cada operação, e que comporte todos os dados necessários para a elaboração dos pedidos pagamentos e da contabilidade, incluindo registos dos montantes a recuperar, dos montantes recuperados, dos montantes irrecuperáveis e dos montantes retirados na sequência do cancelamento da totalidade ou parte da contribuição para uma operação ou programa operacional, como referido no artigo 126.º, alínea d), e artigo 137.º, alínea b), do Regulamento (UE) n.º 1303/2013.

Este ponto integrará a descrição da AC.

4.1.4. Manter registos contabilísticos informatizados das despesas declaradas à Comissão e da contribuição pública correspondente paga aos beneficiários, como estabelecido no artigo 126.º, alínea g), do Regulamento (UE) n.º 1303/2013.

Este ponto integrará a descrição da AC.

9 Anexo III – Lista dos dados a registar e armazenar em formato eletrónico no âmbito do sistema de monitorização (a que se refere o artigo 24.º).

10 Anexo I – Indicadores de realização e de resultado comuns para os investimentos para o FSE.

11 Anexo II – indicadores de resultados para o IEJ.

4.1.5. Manter uma contabilidade dos montantes recuperáveis e dos montantes retirados na sequência do cancelamento da totalidade ou parte da contribuição para uma operação, como referido no artigo 126.º, alínea h), do Regulamento (UE) n.º 1303/2013.

Este ponto integrará a descrição da AC.

4.1.6. Manter registos dos montantes relacionados com as operações suspensas por um processo judicial ou um recurso administrativo com efeito suspensivo.

- A AG deverá assumir que o sistema conserva informação sobre os montantes relativos às operações suspensas por um processo legal ou por um recurso administrativo com efeitos suspensivos.

4.1.7. Indicação sobre o estado operacional dos sistemas e se podem registar com fiabilidade os dados mencionados acima.

- A AG deverá informar se o sistema se encontra operacional para a recolha fiável dos dados previstos nas alíneas a) e d) do n.º 2 do artigo 125.º do Reg. (UE) n º 1303/2013 nos artigos 24.º e 32.º do Reg. Delegado (UE) n º 480/2014 e do Anexo III do mesmo Regulamento Delegado.

  Em caso negativo, deverá assumir o compromisso que o sistema estará operacional de acordo com os prazos estabelecidos no artigo 32.º do Reg. Delegado (UE) n º 480/2014.

  A AG deverá indicar a data da sua operacionalidade de modo a assegurar a conformidade com o previsto no n.º 3 do artigo 122.º do Reg. (UE) n º 1303/2013.

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N.º 01/AD&C/2015 - Data: 2015/02/13

Nos termos do artigo 32.º do Reg. Delegado (UE) n.º 480/2014, a partir de 01/12/2014 os sistemas deverão registar e armazenar informação sobre:

a) Dados sobre o beneficiário;

b) Dados sobre a operação;

c) Dados financeiros sobre cada operação;

d) Dados sobre os pedidos de pagamento do beneficiário;

e) Dados sobre a despesa declarada no pedido de pagamento do beneficiário com base nos custos reais;

f) Dados sobre a despesa declarada no pedido de pagamento do beneficiário com base em tabelas normalizadas de tabelas de custos unitários;

g) Dados sobre a despesa declarada no pedido de pagamento do beneficiário com base em montantes únicos;

h) Dados sobre a despesa declarada no pedido de pagamento do beneficiário com base em taxas fixas;

i) Montante da despesa elegível incluída em cada pedido de pagamento com base no n.º 1 do artigo 14.º do Reg. (UE) n.º 1304/2013;

j) Montante da despesa pública como definida no n.º 15 do artigo 2.º do Reg. (UE) n.º 1303/2013, incluindo em cada pedido de pagamento com base no n.º 1 do artigo 14.º do Reg. (UE) n.º 1304/2013;

k) Dados sobre tipos específicos de despesas sujeitas a limites máximos.

Ainda nos termos do mesmo artigo, a partir de 01/07/2015 os sistemas deverão registar e armazenar informação sobre:

a) Dados sobre as categorias de intervenção;

b) Dados sobre os indicadores;

c) Dados sobre as cobranças aplicadas ao beneficiário;

d) Dados sobre os pedidos de pagamento apresentados à CE, com exceção das alíneas i) e g) do parágrafo anterior;

e) Dados sobre as contas apresentadas à CE, nos termos do artigo 138.º do Reg. (UE) n.º 1303/2013.

Nos termos do n.º 3 do artigo 122.º do Reg. (UE) n.º 1303/2013, a partir de 01/01/2016, todas as trocas de informação entre os beneficiários, a AG, AC, AA e OI apenas podem ser efetuados por sistemas eletrónicos.

4.2. Descrição dos procedimentos para verificar se a segurança dos sistemas informáticos está assegurada.

- A AG deverá descrever os procedimentos instituídos no sentido de assegurar a manutenção e segurança do sistema de informação, a integralidade e a confidencialidade dos dados, a autenticação do remetente e o armazenamento de dados e documentos de acordo com o n.º 3 do artigo 122.º, alínea d) do n.º 4 do artigo 125.º, n.º 8 do artigo 125.º e artigo 140.º do Reg. (UE) n º 1303/2013, bem como a proteção das pessoas no que respeita ao tratamento de dados pessoais.

4.3. Descrição da situação atual no que se refere à aplicação das condições previstas no artigo 122.º, n.º 3, do Regulamento (UE) n.º 1303/2013.

Este ponto é da responsabilidade da ADC.

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N.º 01/AD&C/2015 - Data: 2015/02/13

Anexos

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N.º 01/AD&C/2015 - Data: 2015/02/13

Anexo 1

Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States (EGESIF_14-0010-final, de 18/12/2014)

EGESIF_14-0010-final
18/12/2014

EUROPEAN COMMISSION

European Structural and Investment Funds

Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems

in the Member States

DISCLAIMER

"*This is a working document prepared by the Commission services. On the basis of applicable EU law, it provides technical guidance for colleagues and bodies involved in the monitoring, control or implementation of the European Structural and Investment Funds on how to interpret and apply the EU rules in this area. The aim of this document is to provide Commission services' explanations and interpretations of the said rules in order to facilitate the programme implementation and to encourage good practice(s). This guidance 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
Audit Body	Body carrying out audits under AA's remit, as foreseen in Article 127(2) CPR
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 3.3.2014 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council[1]
CPR	Common Provisions Regulation (Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17.12.2013)[2]
ESIF	"ESIF" corresponds to all European Structural and Investment Funds. This guidance applies to all except for the European Agricultural Fund for Rural Development (EAFRD)
ETC	European Territorial Cooperation
Financial Regulation	Financial Regulation (Regulation (EU, EURATOM) No 966/2012[3]
IB	Intermediate Body
MA	Managing Authority
MCS	Management and Control System

[1] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.138.01.0005.01.ENG
[2] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1303
[3] http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1416480945454&uri=CELEX:32012R0966

1. BACKGROUND

1.1. Regulatory references

Regulation	Articles
Reg. (EU) N° 1303/2013 Common Provisions Regulation *(hereafter CPR)*	Part Four Title I – Management and controls

1.2. Purpose of the guidance

The objective of this guidance is to provide practical tool to help auditors assess the functioning of MCS set up by the Member States for the ESIF (except for the EAFRD) programmes.

It draws upon the guidance in force for 2007-2013 period and the conclusions of a working group involving staff drawn from the audit services of DG Regional and Urban Policy, DG Employment, Social Affairs and Inclusion and DG Maritime Affairs and Fisheries in the Commission, in order to establish a reference framework in terms of:

- explaining key requirements to be used (see the CPR and the CDR);
- explaining the assessment criteria to be used for each key requirement;
- providing guidelines for drawing conclusions for each key requirement and by authority;
- providing guidelines for reaching an overall conclusion on the MCS (or part of system) of a programme or group of programmes, taking into account any existing mitigating factors or compensatory controls

The guidance is thus addressed in the first place to the audit directorates of the above-mentioned Commission services and AAs, in order to ensure objectivity, consistency and transparency in assessing compliance of the management and control systems with the key regulatory requirements. The "steps for assessment" described in this guidance note set out the methodology to be used when carrying out system audits. The AAs are requested to use this guidance note in their system audits on MAs, CAs and IBs or when supervising the work of other involved audit bodies in order to ensure the harmonisation of audit results and that auditors in different parts of the control chain can rely on each other's work.

The section of the guidance note on the evaluation of the functioning of AAs is addressed in the first instance to the audit services of the Commission but can also be used by AAs when assessing/supervising the work of other audit bodies in the MCS or as a self-assessment tool to ensure compliance of their own audit procedures against the Commission’s expectations.

The MAs, CAs and their IBs are however strongly recommended to also consider and make use of this guidance document when needed, as a self-assessment tool.

It is not possible in the present guidance to cover all situations which might be identified. The quality review of each audit must ensure that the overall conclusion on the system is substantiated and that the audit opinion proposed is both consistent with the audit findings and properly justified and documented.

The guidance is accompanied by three annexes: Annex I presents the key requirements and the relevant assessment criteria for each key requirement; Annexes II and III present summary tables which should be used by the auditors and which provide the framework for reaching an overall opinion, by system, on the compliance with the regulatory key requirements for the 2014-2020 period; Annex IV presents a table linking the designation criteria and the key requirements.

2. GUIDANCE

2.1. Key requirements and assessment criteria

The 18 key requirements of the MCSs and the criteria for the assessment of their functioning are listed in Annex I.

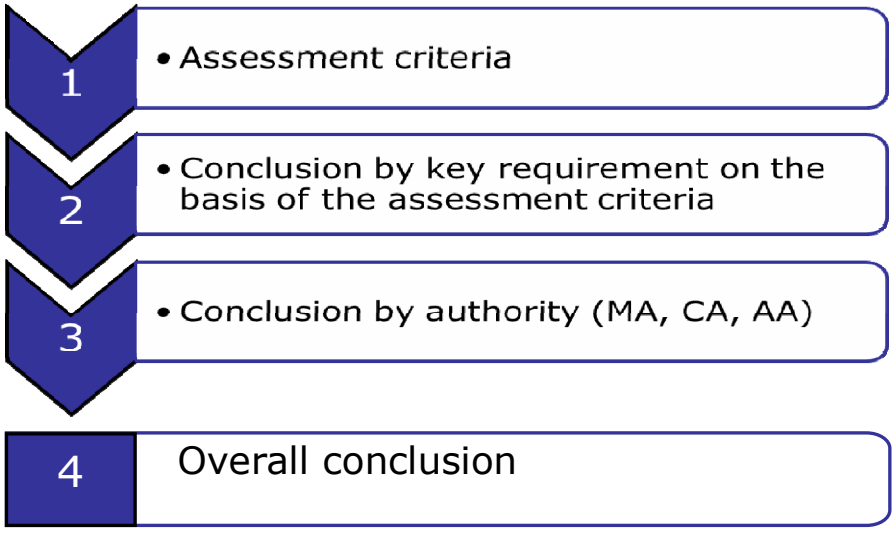
They concern:

1. The MA and any IBs to which functions have been delegated (8 key requirements containing 36 assessment criteria);
2. The CA and any IBs to which functions have been delegated (5 key requirements containing 18 assessment criteria);
3. The AA and any audit bodies that carry out audit work on its behalf (5 key requirements containing 27 assessment criteria).

The assessment criteria are described for each key requirement. Non-compliance with these criteria implies system deficiencies and thus a risk of irregular expenditure being certified to the Commission and of over-reimbursement made to Member States.

2.2. Steps for the assessment

The assessment of the MCS follows the schema presented below:



It must be stressed that in all steps of the assessment process, the auditor's professional judgement and effective quality control are essential to ensure consistency of audit results.

In order to obtain a high level of assurance and to express an opinion on the functioning of the MCS, system audits should be carried out, including compliance testing of key controls at key bodies. Such compliance testing should be carried out for a number of projects, transactions at the level of the MA, the CA, their IBs and the AA.

Tests of controls at the level of the CA and its IB(s) can also contribute to audits of accounts (see Article 29(3) CDR).

The methodology used for the sample selection for tests of controls (such as attribute sampling or judgmental selection) should be decided upon by the AA (in the case of Member States) or the Commission. Where a large number of IBs operate under the same programme, an appropriate sample of these can be selected for tests of key controls. The sample of IBs should be selected based on an appropriate risk assessment, having in mind elements like risk profile of operations under the IB, volume of funds, complexity and/or novelty of operations, modifications of the organisational structure, staff expertise, etc. In any event, in accordance with auditing standards, the auditor defines in its audit report the audit scope and whether its conclusion covers the system in its entirety or part of it.

The methodology used for determining the sample size for tests of controls should be in line with internationally accepted audit standards (INTOSAI, IFAC or IIA).

The results of these tests combined with other qualitative elements and audit procedures form the basis for the assessment.

The auditors should then, for each step (i.e. first for each assessment criterion, then for each key requirement, then for each authority and then for the overall conclusion on the MCS), draw their conclusions, on the basis of the following categories:

Category 1. **Works well. No or only minor improvement(s) needed.** There are no deficiencies or only minor deficiencies found. These deficiencies have no, or minor impact on the functioning of the assessed key requirements / authorities / system.

Category 2. **Works, but some improvement(s) are needed.** Some deficiencies were found. These deficiencies have a moderate impact on the functioning of the assessed key requirements / authorities / system. Recommendations have been formulated for implementation by the audited body.

Category 3. **Works partially; substantial improvement(s) are needed.** Serious deficiencies were found that expose the Funds to irregularities. The impact on the effective functioning of the key requirements / authorities / system is significant.

Category 4. **Essentially does not work.** Numerous serious and/or wide-ranging deficiencies were found which expose the Funds to irregularities. The impact on the effective functioning of the assessed key requirements / authorities / system is significant – the assessed key requirements / authorities / system function poorly or do not function at all.

Annexes II and III are designed to facilitate this assessment process for each step.

2.2.1 Assessment Criteria

The first step consists of evaluating the assessment criteria for each key requirement by determining which of the four above-mentioned categories corresponds best to each assessment criterion for the programme being audited.

To ensure a transparent and objective assessment of each criterion Annex II should be used.

It is important to emphasise that when categorising each assessment criterion, auditors should apply their professional judgement taking into account any other audit evidence available which should also be analysed. This audit evidence may include all cumulative audit knowledge including information gained from the review of the system descriptions, designation audit opinion and report, procedures manuals, functioning of the MCS, enquiries, or interviews at bodies involved in the MCS.

2.2.2 Conclusion by key requirement

The second step consists of drawing a conclusion by key requirement on the basis of the assessment criteria previously evaluated under step 1. As a matter of principle, when evaluating the key requirements, the overall impact on the assurance level is a decisive factor. In this context, questions to be asked are:

- What is the impact of the non-respect or partial respect of a particular assessment criterion or key requirement on the identification of errors, irregularities and on the management and control system?
- Does its absence increase the likelihood of irregular or illegal expenditure not being prevented, detected and/or adequately corrected?

The following guidance is provided as examples of possible outcomes for this step (after the combination of tests of key controls with other qualitative elements):

- Where one or more assessment criteria are in category 3 or category 4, the auditor may reasonably conclude that this would not allow for categorising the key requirement as category 1 and most probably as category 2;
- Where a majority of the assessment criteria are in the same category, the auditor may reasonably conclude that this provides a sound basis for also classifying the key requirement in this same category;
- As a general rule, the key requirement cannot be classified more favourably than the worst of the assessment criteria with the possible exception of the following assessment criteria:

Managing Authority

2.3 All applications received are recorded. Applications are registered on receipt, evidence of receipt delivered to each applicant and records kept of the approval status of each application.

2.5 Decisions taken on the acceptance or rejection of applications and projects should be taken by an appropriate person or body, results notified in writing and the reasons for acceptance or rejection of applications clearly set out. The appeal procedure and related decisions should be published.

5.3 Procedures are in place to ensure that all documents required to ensure an adequate audit trail are held in accordance with the requirements of Article 140 CPR, i.e. regarding availability of documents.

Certifying Authority

11.3 Ensure an adequate audit trail by recording and storing in computerised form, accounting records for each operation and which supports all the data required for drawing up payment applications and accounts. The audit trail within the CA should allow reconciliation of the expenditure declared to the Commission with the expenditure statements received from the MA or the IB.

13.5 Adequate procedures to ensure timely reporting to the Commission on the execution of the EU budget in line with Article 59(5)(a) of the Financial Regulation.

Audit Authority

18.4 The ACR for the accounting year and audit opinion should cover all Member States concerned in programmes under the ETC objective.

For drawing the conclusions, the auditors will use their professional judgement, and any possible mitigating factors. Adequate audit evidence needs to be provided and recorded in the audit file.

2.2.3 Conclusion by authority

The third step involves reaching a conclusion by authority, based upon the results of the categorisation of each key requirement under step 2. Annexes II and III should be used. Annex II combines the assessment by key requirement in order to reach a conclusion by authority, while Annex III which is the "connection table", links the conclusion by authority to the overall conclusion for the system (link with step 4).

It is not possible to foresee all combinations of assessments of key requirements by authority that might arise. Nevertheless, the following guidance can be given:

1. Each of the key requirements has to be assessed independently from the others within the same authority. This means that a weakness in one of the key requirements in one authority cannot be compensated by another key requirement that is functioning well in the same authority. Compensating controls are considered only at the level of the overall assessment of the system (step 4).
2. Some key requirements are essential with regard to the legality and regularity of expenditure and the proper functioning of the relevant authority. Criteria for determining serious deficiencies as defined in Article 2(39) CPR are set out in Article 30 CDR and concern:

   • MA: key requirements 2 (selection of operations), 4 (management verifications) and 5 (audit trail of documents regarding expenditure and audits).

   • CA: key requirement 13 (drawing up and certifying the annual accounts).

   • AA: key requirements 15 (system audits), 16 (audits of operations) and 18 (reliable audit opinion and preparation of ACR).
3. A category 1 or 2 classification of the seven essential key requirements referred to in point 2 above would have a positive influence on the overall conclusion.
4. If one of the essential key requirements referred to in point 2 above or two or more of the other key requirements for an authority are classified in categories 3 or 4, this authority cannot be assessed overall in a better category than category 3 or 4. In other words, deficiency in an essential key requirement cannot be counterbalanced by a better classification of the other key requirements for the authority in question..
5. If some of the functions have been delegated to IBs, a further breakdown of Annexes II and III is required and the same criteria used in the case of MA/CA will be applied in order to reach a conclusion by IB and on that basis, an overall conclusion for the MA or CA.

Auditors should use their professional judgement in order to reach the appropriate conclusion by authority, evaluating the overall conclusion in the table provided in Annex III to this guidance.

2.2.4 Overall conclusion

In this final step, the auditors make the link between the conclusion by authority and the overall conclusion on the MCS of the programme, by identifying any mitigating factors and compensating controls that may exist in one authority which effectively reduce the risk in the overall MCS.

For instance, if the auditor concludes that verifications carried out by the CA are incomplete or not effective enough, but management verifications in the MA (or if delegated, in the IB) are of a good quality and effective, this may reduce the risk that irregular expenditure is certified and sent to the Commission. It is reminded that key requirement 4 (management verifications) remains the most important and first line of defence of MCS against irregularities. Appreciation of the proper functioning of this key requirement is therefore

crucial to assess the risk of reimbursement of irregular expenditure by the Commission. It is important to underline that before being taken into account as a mitigating factor or compensating control, evidence of the proper functioning of these controls should be obtained. Another example of a mitigating factor, before issuing the audit opinion, could be an action plan having been implemented which has effectively improved the management and control system (for avoidance of future similar irregularities) and corrected the main irregularities not previously detected by sample checks or management verification checks (financial corrections for previously declared expenditure).

The auditor sets the level of residual risk to the regularity of transactions and finally formulates an overall conclusion, by system, on the compliance of the system with the key regulatory requirements. Annex III should be used.

1. The same categories are used for the overall evaluation of the systems as for the individual key requirements and authorities, to ensure consistency of results at all steps of the procedure.
2. Before setting the level of residual risk to the regularity, the auditor must take into account the existence of mitigating factors, as described above.

The overall conclusion by MCS then provides a basis for determining assurance levels and for determining the confidence levels for audits of operations. When drawing up the ACR, by combining its conclusions on the MCS with the results of audits of operations and of the accounts, the auditor can then formulate an audit opinion for the programme and recommend subsequent action if necessary.

Furthermore, this audit work should be used by the Member State for the implementation of the provisions of Article 124(5) CPR on the obligation to monitor the fulfilment of the designation criteria. In order to facilitate this work a table is provided in Annex IV linking the designation criteria and the related key requirements.

ANNEX I – KEY REQUIREMENTS AND ASSESSMENT CRITERIA

This annex identifies the key elements of the MCS and the assessment criteria taking into account the minimum requirements of the applicable legal framework for the 2014-2020 period. The key elements, structured by authority, are those which have been designed for and which are essential in ensuring the legality and regularity of expenditure and the reality of operations included in programmes supported by the ESIF (except for the EAFRD) under the CPR.

1. Key requirements in relation to the MA and its IB(s)

Key requirement 1: Adequate separation of functions and adequate systems for reporting and monitoring where the responsible authority entrusts execution of tasks to another body

(Articles 72(a), (b), (e) and (h), 122(2), 123(1) and (6), 125(1) CPR)

Assessment criteria:

1.1 A clear description and allocation of functions (organisation chart, indicative number of posts, qualifications and experience required, job descriptions), including the existence of a formal documented agreement clearly setting out any tasks that are delegated by the MA to the IB(s).

1.2 Necessary staff and expertise exist at the different levels and for the different functions within the MA and IBs, taking into account the number, size and complexity of the programmes concerned, including appropriate outsourcing arrangements if any.

1.3 Compliance with the principle of separation of functions within the organisation of the MA, where appropriate and in particular in case the Member State has decided to keep the certification function within the same administrative structure as the MA, as well as between the MA and other bodies in the MCS (CA, or its IBs, the AA or other audit bodies).

1.4 Complete and adequate procedures and manuals exist and are updated as necessary, covering all key activities within the MA and IBs, including reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.

1.5 Adequate procedures and arrangements are in place to effectively monitor and supervise the tasks delegated to the IB(s) on the basis of adequate reporting mechanisms (review of the IB's methodology, regular review of results reported by the IB, including where possible reperformance on a sample basis of the work carried out by the IB).

1.6 Taking into account the principle of proportionality, a framework for ensuring that an appropriate risk management exercise is conducted when necessary, and in particular, in the event of major modifications to the activities and changes of the management and control structures.

Key requirement 2: Appropriate selection of operations

(Articles 72(c), 125(3) CPR)

Assessment criteria:

2.1 The MA drew up, for approval by the monitoring committee, appropriate selection procedures and criteria that:

a. ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority;

b. are non-discriminatory and transparent;

c. take into account the promotion of equality between men and women and the principles of sustainable development as set out in Articles 7 and 8 CPR.

2.2 Calls for applications are published[4].

Calls for publications are advertised in order to reach all potential beneficiaries and contain a clear description of the selection procedure used and the rights and obligations of the beneficiaries.

2.3 All applications received are recorded[3].

Applications are registered on receipt, evidence of receipt delivered to each applicant and records kept of the approval status of each application.

2.4 All applications or projects are evaluated in accordance with the applicable criteria.

The evaluation is applied consistently and in a non-discriminatory way. The criteria and scoring used is in accordance with those approved by the monitoring committee and mentioned in the call.

In assessing the applications or projects the MA ensures that the evaluators possess the required expertise and independence.

The MA should in addition specifically examine whether:

a. The selected operation falls within the scope of the fund(s) concerned and can be attributed to a category of intervention;

b. The beneficiary has the administrative, financial and operational capacity to fulfil the conditions regarding the provision of funding;

c. Where the operation has started before the submission of an application for funding, applicable law relevant for the operation has been complied with;

d. Operations selected for support do not include activities which were part of an operation which has been or should have been subject to a procedure of recovery following the relocation of a productive activity outside the programme area.

All phases of this evaluation should be adequately documented.

2.5 Decisions taken on the acceptance or rejection of applications or projects should be taken by an appropriately authorised person in the responsible designated body, results notified in writing in an agreement or decision (or comparable document) to the candidate and the reasons for acceptance or rejection clearly set out. The appeal procedure and related decisions should be published.

Key requirement 3: Adequate information to beneficiaries

(Article 125(3)(c) CPR**)**

Assessment criteria:

3.1 Effective communication to beneficiaries of their rights and obligations in particular the national eligibility rules laid down for the programme, the applicable EU rules on eligibility, the specific conditions for support for each operation concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, the requirements concerning separate accounting or adequate accounting codes, the information to be kept and communicated. The information and publicity obligations should also be clearly expressed and communicated.

[4] Not applicable in case of direct allocation of EU funds to certain national, regional or local projects

3.2 The existence of clear and unambiguous national eligibility rules laid down for the programme.

3.3 The existence of a strategy to ensure that beneficiaries have access to the necessary information and receive an appropriate level of guidance (leaflets, booklets, seminars, workshops, websites, etc.).

Key requirement 4: Adequate management verifications

(Articles 72(c) and (h), 125(4)(a), (5) and (6) CPR)

Assessment criteria:

4.1 The management verifications include:

a. Administrative verifications in respect of each application for reimbursement by beneficiaries: all applications for reimbursement submitted by beneficiaries should be subject to administrative verifications by the MA or its IB(s) before certification and should include an examination of both the claim itself and the relevant supporting documentation attached. The range and type of supporting documentation to be requested from beneficiaries for verification, is based on a risk assessment of each type of file or beneficiary;

b. The on-the-spot verifications of operations by the MA and its IB(s) should be undertaken when the project is well under way, both in terms of physical and financial progress (e.g. for training measures).

4.2 On-the-spot verifications of individual operations may be carried out by the MA or its IB(s) on a sample basis. The frequency and coverage of the on-the-spot verifications should be proportionate to the amount of public support to an operation and to the level of risk identified by the MA or its IB(s) through their administrative verifications and by the AA through its audits for the MCS as a whole. The records should describe the sampling method used, identify the operations selected, and provide an overview of the conclusions of the verifications and the detected irregularities.

4.3 Written procedures and comprehensive checklists should exist to be used for the management verifications in order to detect any material misstatements. This means that the checklists should, as a minimum, address verifications on:

a. the correctness of the application for reimbursement;

b. the eligible period;

c. compliance with the approved project;

d. compliance with the approved financing rate (where applicable);

e. compliance with the relevant eligibility rules and EU and national rules on public procurement, state aid, environment, financial instruments, sustainable development, publicity, equal opportunity requirements and non-discrimination;

f. the reality of the project, including physical progress of the product or service and compliance with the terms and the conditions of the grant agreement and with the output and result indicators;

g. the expenditure declared and the existence and compliance of the audit trail for a number of expenditure items;

h. the separate accounting system or an adequate accounting code for all transactions relating to an operation for operations reimbursed on the basis of eligible costs actually incurred. This separate accounting system or adequate accounting codes allow for verification of (1) the correct allocation of expenditure only partly relating to the

co-financed operation and (2) certain types of expenditure which are only considered eligible within certain limits or in proportion to other costs.

4.4 Evidence should be kept of:

a. the administrative verifications and the on-the-spot verifications, including the work done and the results obtained;

b. the follow-up of the findings detected.

These records constitute the supporting documentation and information for the annual summary to be prepared by the MA.

4.5 The existence of procedures approved by the MA to ensure that the CA receives all necessary information on the verifications carried out for the purpose of certification.

Management verifications should be completed on time for expenditure certified in the accounts of a given accounting year.

Key requirement 5: Effective system in place to ensure that all documents regarding expenditure and audits are held to ensure an adequate audit trail

(Articles 72(g), 122(3), 140, 125(4)(d), 125(8) CPR)

Assessment criteria:

5.1 The detailed accounting records and supporting documents for operations are kept at the appropriate management level (such as the technical specifications and financial plan of the operation, progress in achieving outputs and results and monitoring reports, documents concerning application, evaluation, selection, grant approval and tendering and contracting procedures and reports on inspections of the products and services co-financed) and provide the information set in Article 25(1) CDR. The accounting system enables both the beneficiaries and the other bodies involved to be identified together with the justification for the payment.

5.2 A record is kept by the MA of the identity and location of bodies holding the supporting documents relating to expenditure and audits. This includes all documents required for an adequate audit trail, which may be in electronic form in case of electronic data exchange between beneficiaries and relevant bodies pursuant to Article 122(3) CPR.

5.3 Procedures are in place to ensure that all documents required to ensure an adequate audit trail are held in accordance with the requirements of Article 140 CPR i.e. regarding availability of documents.

Key requirement 6: Reliable system for collecting, recording and storing data for monitoring, evaluation, financial management, verification and audit purposes, including links with electronic data exchange systems with beneficiaries

(Articles 72(d), 112(3), 122(3), 125(2)(a),(d),(e), 125(4)(d), (8) and 140 CPR)

Assessment criteria:

6.1 The existence of a computerised system capable to collect, record and store on each operation the data required by Annex III CDR, including data relating to indicators and milestones and on the progress of the programme in achieving its objectives provided by the MA 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.

6.2 Adequate procedures are in place to allow for the aggregation of the data where this is necessary for the purposes of evaluation, audits, as well as for payment applications and

accounts, annual summaries, annual implementation and final reports, including reports on financial data, submitted to the Commission.

6.3 Adequate procedures are in place to ensure:

a. the security and maintenance of this computerised system, data integrity taken account of internationally accepted standards as for example ISO/IEC 27001:2013 and ISO/IEC 27002:2013, data confidentiality, the authentication of the sender and storage of documents and data in particular in accordance with Articles 122(3), 125(4)(d), 125(8) and 140 CPR and

b. the protection of individuals with regard to the processing of personal data.

Key requirement 7: Effective implementation of proportionate anti-fraud measures

(Articles 72(h), 122(2), 125(4)(c) CPR)

Assessment criteria:

7.1 Before the beginning of programme implementation, MAs carry out a fraud risk assessment of the impact and likelihood of fraud risks relevant to the key processes in the implementation of the programmes. The fraud risk assessment should ideally be carried out on an annual basis, or every second year, depending on risk levels. The results of the fraud risk assessment should be endorsed by the senior management of the MA.

7.2 The anti-fraud measures are structured around four key elements in the anti-fraud cycle: prevention, detection, correction and prosecution.

7.3 Adequate and proportionate preventive measures, tailored to the specific situations, are in place in order to mitigate the residual risk of fraud to an acceptable level (such as mission statement, code of conduct, tone from the top communication, allocation of responsibilities, training and awareness raising actions, data analytics and up-to-date awareness of fraud warning signs and fraud indicators).

7.4 Appropriate detective measures of 'red flags' are in place and effectively implemented.

7.5 Adequate measures are in place once a suspected case of fraud is detected ensuring clear reporting mechanisms on both suspicions of fraud and also control weaknesses ensuring sufficient coordination with the AA, competent investigative authorities in the Member State, the Commission and OLAF.

7.6 Appropriate processes are in place for following up any suspected cases of fraud and related recoveries of EU funds spent in a fraudulent manner.

7.7 Follow-up procedures are in place to review any processes, procedures or controls connected to the potential or actual fraud and feed into the subsequent review of the fraud risk assessment.

Key requirement 8: Appropriate procedures for drawing up the management declaration and annual summary of the final audit reports and of controls carried out

(Article 125(4)(e) CPR)

Assessment criteria:

8.1 For the preparation of the annual summary, adequate procedures are in place to ensure:

a. an adequate review and follow-up of the final results of all audits and controls carried out by the relevant bodies for each programme, including management verifications carried out by the MA or on its behalf by IBs and audits carried out by or under the authority of the AA and EU audits;

b. the 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.

8.2 The management declaration should be based on the annual summary, and should be drawn up in accordance with the model set out in the relevant Commission Implementing Regulation.

8.3 The work carried out in preparation of the annual summary and the management declaration should be adequately documented.

8.4 The annual summary and management declaration as well as all relevant supporting documentation and information are made available in due time to the AA for the purpose of its assessment. Adequate internal deadlines are set for this purpose.

2. Key requirements in relation to the CA and its IBs

Key requirement 9: Adequate separation of functions and adequate system for reporting and monitoring where the responsible authority entrust execution of tasks to another authority

(Articles 72(a), (b) and (e), 123 (2) and (6), 126 CPR)

Assessment criteria:

There should be:

9.1. A clear description and allocation of functions (organisation chart, indicative number of posts, qualifications and/or experience required, job descriptions) including existence of a formal documented agreement clearly setting up any tasks which are delegated by the CA to the IBs.

9.2. Adequate number of sufficiently qualified human resources at the different levels and for the different functions within the CA, taking into account the number, size and complexity of the programmes concerned, including appropriate outsourcing arrangements if any.

9.3. Compliance with the principle of separation of functions within the organisation of the CA, where appropriate and in particular in case the Member State has decided to keep the certification function within the same administrative structure as the MA, as well as between the CA and other authorities in the MCS (MA and its IBs, the AA and other audit bodies).

9.4. Complete and adequate procedures and manuals exist and are updated as necessary, covering all key activities within the CA and IBs, including reporting and monitoring procedures for irregularities (irregularities reported by IBs or detected by the CA) and for the recovery of amounts unduly paid.

9.5 Adequate procedures and arrangements are in place to effectively monitor and supervise the tasks delegated to the IB(s) on the basis of adequate reporting mechanisms (review of the IB's methodology, regular review of results reported by the IB, including where possible re-performance on a sample basis of the work carried out by the IB).

9.6 Taking into account the principle of proportionality, a framework for ensuring that an appropriate risk management exercise is conducted when necessary, and in particular, in the event of major modifications to the activities and/or changes of the management and control structures.

Key requirement 10: Adequate procedures for drawing-up and submitting payment applications

(Article 126(a), (e) and (f) CPR)

Assessment criteria:

10.1. Adequate procedures, where appropriate, to ensure that it receives and takes into account adequate information from the MA and/or its IB(s) on the first-level management verifications carried out, and the results of the audits carried out by or under the responsibility of the AA.

a. A clear description of specific information needed for the certification process from the MA and AA should be reflected in the agreed procedure in order to ensure relevant information is received on a regular and timely basis.

b. Ensuring, for the purpose of certification that the CA has received all necessary supporting documentation including updated relevant information regarding results of first-level management verifications by MA and its IBs and audit reports from the AA or from EU bodies.

c. Ensure systematic, timely and documented review of the reports drawn up by the MA and its IB(s) on the progress of implementation, including a review of the results of first level management verifications prior to the preparation of the expenditure declaration to the Commission.

d. Ensure systematic, timely and documented review of all relevant audit reports received and take account of the audit results prior to preparation of the expenditure declaration to the Commission.

e. Ensure that the results of the examinations of first level verifications and audit reports are properly taken into account in reaching a conclusion as to whether there is sufficient basis for certifying that the expenditure being certified is legal and regular.

10.2. Written procedures should include detailed checks, clear responsibilities and workflow for the entire certification process including adequate validation respecting the "4 eyes principle" and supervision of the CA over the contribution of its IB(s) to this certification process.

Key requirement 11: Appropriate computerised records of expenditure declared and of the corresponding public contribution are maintained

(Article 126(d), (g) CPR)

Assessment criteria:

11.1. Adequate accounting records are maintained in computerised form of expenditure declared to the Commission.

11.2. Appropriate procedures are in place for maintaining accurate and complete computerised records of expenditure submitted for certification by the MA including the corresponding public contribution paid to beneficiaries.

11.3. Ensure an adequate audit trail by recording and storing in computerised form, accounting records for each operation and which supports all the data required for drawing up payment applications and accounts. The audit trail within the CA should allow reconciliation of the expenditure declared to the Commission with the expenditure statements received from the MAand the IBs.

Key requirement 12: Appropriate and complete account of amounts recoverable, recovered and withdrawn

(Articles 72(h), 137(1)(b), 137(2) CPR)

Assessment criteria:

12.1. Adequate and effective procedures are in place to maintain accurate and complete evidence of the amounts withdrawn and recovered during the accounting year, the amounts to be recovered as at the end of the accounting year, the recoveries carried out pursuant to Articles 72(h) and 137(1)(b) of the CPR, and that the irrecoverable amounts presented in the accounts correspond to the amounts entered in the accounting systems.

12.2 Appropriate accounting records are maintained to evidence that expenditure has been excluded from the accounts in accordance with Article 137(2) CPR, where applicable, and that all the required corrections are reflected in the accounts for the accounting year concerned.

Key requirement 13: Appropriate procedures for drawing up and certifying the completeness, accuracy and veracity of the accounts

(Articles 72(h), 126 (b),(c) and (h), 137 CPR, Article 59(5)(a) of the Financial Regulation)[5]

Assessment criteria:

13.1. Adequate procedures should be in place for drawing up and certifying the completeness, accuracy and veracity of the accounts and ensuring that the expenditure entered in the accounts complies with the applicable law and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme.

13.2. Adequate procedures to ensure that expenditure entered in the accounts corresponds to interim payments declared in the accounting year after corrections of any clerical errors and deduction of all irregular amounts detected through management verifications and audits and withdrawn or recovered in the given accounting year, and after temporary withdrawal of any expenditure which is undergoing an assessment of its eligibility at the time of drawing the accounts.

13.3. Adequate procedures to ensure that amounts recovered, to be recovered, withdrawn from previous interim payment claims and irrecoverable are properly reflected in the accounts. The procedure should ensure keeping account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid prior to closure of the programme by deducting them from the next statement of expenditure.

13.4. The accounts are made available in due time to the MA for information and to the AA for the purpose of their assessment. Adequate internal deadlines are set for this purpose.

13.5 Adequate procedures to ensure timely reporting of the accounts to the Commission in line with Article 59(5) of the Financial Regulation.3. Key requirements in relation to the AA

Key requirement 14: Adequate separation of functions and adequate systems for ensuring that any other body that carries out audits in accordance with the programme audit strategy has the necessary functional independence and takes account of internationally accepted audit standards

(Articles 72(a), (b) and (e), 123(4) and (5) CPR)

[5] The guidance on accounts should also be taken account, where applicable.

Assessment criteria:

14.1 A clear description and allocation of functions in accordance with the audit strategy (organisation chart, planned resources, qualifications and experience required, training requirements, etc.), including the existence of a formal agreement clearly setting out any tasks that are carried out by other audit bodies under supervision of the AA.

14.2 Required staff with necessary expertise to fulfil all requirements, taking into account the number, size and complexity of the programmes concerned, including appropriate outsourcing arrangements if any.

14.3 Compliance with the principle of separation of functions between the AA (as well as other audit bodies if applicable) and other bodies in the MCS (MA, CA and their IBs) together with the principle of independence of the AA and other audit bodies, as set out in Articles 72 (a), (b) and 123 (4) and (5) CPR (cf. also Commission's guidance on designation and audit strategy).

14.4 Complete and adequate procedures and manuals based on internationally accepted audit standards, including internal quality review and, where appropriate, procedures to monitor and supervise the effectiveness of tasks delegated to other audit body(ies) on the basis of adequate reporting mechanisms.

Key requirement 15: Adequate system audits

(Articles 72(f), 127(1) CPR)

Assessment criteria:

15.1 The system audits are performed in accordance with the last updated audit strategy, are based on a clearly described audit methodology including a proper risk analysis and taking account of internationally accepted audit standards.

15.2 The audit scope focuses on the key requirements of the management and control systems in the relevant bodies (MA, CA and IBs). The audit scope includes, inter alia, verification that the relevant authorities properly ensure compliance with EU and national rules on public procurement, State aid, environment, financial instruments, sustainable development, publicity, equal opportunity requirements and non-discrimination, reliability of data relating to output indicators and milestones and on the progress of the programme in achieving its objectives.

15.3 All phases of the systems audits are properly documented. Adequate and complete checklists exist that address verifications on all key requirements of the management and control systems.

15.4 There are effective procedures for monitoring the implementation of recommendations and corrective measures resulting from audit reports.

15.5 There is sufficient evidence present to allow for verification of the establishment of the assurance level which has been obtained from the systems.

Key requirement 16: Adequate audits of operations

(Articles 72(f), 127 CPR, Articles 27, 28 CDR)

Assessment criteria:

16.1 A description of the approved methodology for selection of operations exists, covering the sampling method, the sampling unit, the parameters for sampling, the results and the degree of confidence obtained from the system audits (or, in an initial stage, from the work inherent to the designation process), including the planned materiality level, in accordance with Article 127(1) CPR and Article 28 CDR (cf. also Commission's guidance on sampling).

16.2 The audits of operations take account of internationally accepted audit standards, are carried out in accordance with the audit strategy.

16.3 The audits of operations are carried out on the basis of supporting documents constituting the audit trail and verify the legality and regularity of expenditure declared to the Commission, covering at least the elements set out in Article 27 CDR, namely:

> (a) that the operation was selected in accordance with the selection criteria for the operational programme, was not physically completed or fully implemented before the beneficiary submitted the application for funding under the operational programme, has been implemented in accordance with the approval decision and fulfilled any conditions applicable at the time of the audit concerning its functionality, use, and objectives to be attained;
>
> (b) that the expenditure declared to the Commission corresponds to the accounting records and that the required supporting documentation demonstrates an adequate audit trail as set out in Article 25 of this Regulation;
>
> (c) that for expenditure declared to the Commission determined in accordance with Articles 67(1)(b) and (c) and 109 CPR and Article 14(1) of Regulation (EU) No 1304/2013 (ESF), outputs and results underpinning payments to the beneficiary have been delivered, participant data or other records related to outputs and results are consistent with the information submitted to the Commission and that the required supporting documentation demonstrates an adequate audit trail as set out in Article 25 of this Regulation.
>
> (d) that the public contribution has been paid to the beneficiary in accordance with Article 132(1) CPR.

16.4 The audits of operations include, where applicable, on-the-spot verification of the physical implementation of the operation.

16.5. The audits of operations verify the accuracy and completeness of the corresponding expenditure recorded by the certifying authority in its accounting system and the reconciliation of the audit trail at all levels.

16.6 In particular, all phases of the audits of operations should be properly documented in working papers (including checklists) evidencing the specific audit work done, the audit reports produced and the conclusions drawn from such work.

16.7. As required by Article 27(5) CDR, where problems detected appear to be systemic in nature and therefore entail a risk for other operations under the operational programme, the audit authority shall ensure further examination, including, where necessary, additional audits to establish the scale of such problems, and shall recommend the necessary corrective actions.

16.8 There are effective procedures for monitoring the implementation of recommendations and corrective measures arising from audit of operations.

Key requirement 17: Adequate audits of accounts

(Article 127(7) CPR, Article 29 CDR, Article 59(5)(a) and (b) of the Financial Regulation)

Assessment criteria:

17.1 Audits of accounts are carried out by the AA in accordance with Article 29 CDR (cf. also Commission's guidance on audit on accounts) and with the programme's audit strategy, focusing on the assessment of the key requirements relevant for the CA.

17.2 For the purpose of the audit opinion, in order to conclude that the accounts give a true and fair view, the AA verifies that all elements required by Article 137 CPR are correctly

included in the accounts and correspond to the supporting accounting records maintained by all relevant authorities or bodies and beneficiaries. The AA, on the basis of the accounts to be provided by the CA, verifies that:

(a) the total amount of eligible expenditure declared in accordance with Article 137(1)(a) CPR matches the expenditure and the corresponding public contribution included in payment applications submitted to the Commission for the relevant accounting year and, if there are differences, that adequate explanations have been provided in the accounts for the reconciling amounts;

(b) the amounts withdrawn and recovered during the accounting year, the amounts to be recovered as at the end of the accounting year, the recoveries carried out pursuant to Article 71 CPR, and the irrecoverable amounts presented in the accounts correspond to the amounts entered in the accounting systems of the CA and are based on decisions by the responsible MA or CA;

(c) expenditure has been excluded from the accounts in accordance with Article 137(2) CPR, where applicable, and that all the required corrections are reflected in the accounts for the accounting year concerned;

(d) the programme contributions paid to financial instruments and advances of State aid paid to beneficiaries are supported by the information available from the MA and from the CA.

Verifications referred to in points (b), (c) and (d) may be carried out on a sample basis.

17.3 Audits of accounts take account of internationally accepted audit standards. In particular, all phases of the audits of accounts should be properly documented in working papers (including checklists) evidencing the specific audit work done (during system audits, audits of operations and the final additional verifications on the accounts submitted by the CA to the AA), the audit reports produced and the conclusions drawn from such work.

17.4 There are effective audit procedures at the AA level for monitoring the implementation of recommendations and corrective measures resulting from audits of accounts, including the accurate reflection of the financial corrections made in the accounts (as a follow up to the results of the audits of operations).

Key requirement 18: Adequate procedures for providing a reliable audit opinion and for preparing the ACR

(Article 127(5) CPR, Article 59(5)(b) of the Financial Regulation)

Assessment criteria:

18.1 The AA has in place procedures to ensure that the ACR and audit opinion are reliable, reflect the conclusions drawn from the system audits, audits of operations and audits of accounts and follow the models set out in the relevant Commission Implementing Regulation (cf. also Commission's guidance on ACR and audit opinion).

18.2 The AA has in place procedures to ensure that the ACR and audit opinion are submitted to the Commission by the deadline set in Article 59(5)(b) of the Financial Regulation.

18.3 The AA has in place procedures to ensure that the ACR and audit opinion are reliable, reflect the conclusions drawn from the system audits, audits of operations and audits of accounts, follow the models set out in the relevant Commission Implementing Regulation and take account of the Commission's guidance on ACR and audit opinion.

18.4 All detected errors are appropriately reported and treated in view of the error rate and audit opinion.

18.5 Where the total projected error rate is above the materiality level, the AA analyses its

impact and makes recommendations in order to ensure that corrective actions are taken in order to obtain an acceptable residual total error rate.

18.6 The ACR and audit opinion should cover all Member States concerned in programmes under the ETC objective.

ANNEX II: EVALUATION OF KEY REQUIREMENT BY THE ASSESSMENT CRITERIA AND BY AUTHORITY

References to Articles in CPR, CDR and Financial Regulation	KEY REQUIREMENTS (KR) and ASSESSMENT CRITERIA (AC)	ASSESSMENT CATEGORIES[6]
	Managing authority/intermediate body	
Article 72(a), (b),(e) and (h), Article 122(2), Article 123(1) and (6) Article 125(1) CPR	**KR 1) Adequate separation of functions and adequate systems for reporting and monitoring where the responsible authority entrusts execution of tasks to another body**	
AC	1.1 A clear description and allocation of functions (organisation chart, indicative number of posts, qualifications and/or experience required, job descriptions), including the existence of a formal documented agreement clearly setting out any tasks that are delegated by the MA to the IB(s).	
	1.2 Necessary staff and expertise exist at the different levels and for the different functions within the MA and IBs, taking into account the number, size and complexity of the programmes concerned, including appropriate outsourcing arrangements if any.	
	1.3 Compliance with the principle of separation of functions within the organisation of the MA, where appropriate and in particular in case the Member State has decided to keep the certification function within the same administrative structure as the MA, as well as between the MA and other bodies in the management and control system (CA and/or its IBs, the AA and/or other audit bodies).	
	1.4 Complete and adequate procedures and manuals exist and are updated as necessary, covering all key activities within the MA and IBs, including reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.	
	1.5 Adequate procedures and arrangements are in place to effectively monitor and supervise the tasks delegated to the IB(s) on the basis of adequate reporting mechanisms (review of the IB's methodology, regular review of results reported by the IB, including where possible reperformance on a sample basis of the work carried out by the IB).	
	1.6 Taking into account the principle of proportionality, a framework for ensuring that an appropriate risk management exercise is conducted when necessary, and in particular, in the event of major modifications to the activities and/or changes of the management and control structures.	
Article 72(c), Article 125 (3) CPR	**KR 2) Appropriate selection of operations**	
AC	2.1 The MA drew up, for approval by the Monitoring Committee, appropriate selection procedures and criteria that: (a) ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority; (b) are non-discriminatory and transparent and (c) take into account the promotion of equality between men and women and the principles of sustainable development as set out in Articles 7 and 8 CPR.	
	2.2 Calls for applications are published[7]. Calls for publications are advertised in order to reach all potential beneficiaries and contain a clear description of the selection procedure used and of the rights and obligations of the beneficiaries.	
	2.3 All applications received are recorded[3]. Applications are registered on receipt, evidence of receipt delivered to each applicant and records kept of the approval status of each application.	
	2.4 All applications/projects are evaluated in accordance with the applicable criteria. The evaluation is applied consistently and in a non-discriminatory way. The criteria/scoring used is in accordance with those approved by the Monitoring Committee and mentioned in the call. In assessing the applications/projects the MA ensures that the evaluators possess the required expertise and independence. [See remaining text in Annex I to this guidance.]	
	2.5 Decisions taken on the acceptance or rejection of applications/projects should be taken by an appropriately authorised person in the responsible designated body, results notified in writing in an agreement or decision (or comparable document) to the candidate and the reasons for acceptance or rejection of applications clearly set out. The appeals procedure and related decisions should be published.	

6 Category 1, 2, 3, 4, as defined in Section IV of this guidance and in Table 2- Annex IV of Regulation (EU) No 480/2014.
[7] Not applicable in case of direct allocation of EU funds to certain national, regional or local projects.

References to Articles in CPR, CDR and Financial Regulation	KEY REQUIREMENTS (KR) and ASSESSMENT CRITERIA (AC)	ASSESSMENT CATEGORIES[6]
Article 125(3)(c) CPR	**KR 3) Adequate information to beneficiaries**	
AC	3.1 Effective communication to beneficiaries of their rights and obligations in particular the national eligibility rules laid down for the programme, the applicable EU rules on eligibility, the specific conditions for support for each operation concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, the requirements concerning separate accounting or adequate accounting codes, the information to be kept and communicated. The information and publicity obligations should also be clearly expressed and communicated.	
	3.2 The existence of clear and unambiguous national eligibility rules laid down for the programme.	
	3.3 The existence of a strategy to ensure that beneficiaries have access to the necessary information and receive an appropriate level of guidance (leaflets, booklets, seminars, workshops, websites, etc.).	
Article 72(c) and(h), Article 125 (4)(a),(5),(6) CPR	**KR 4) Adequate management verifications**	
AC	4.1 The management verifications include: (a) Administrative verifications in respect of each application for reimbursement by beneficiaries: [See remaining text in Annex I to this guidance.]; (b) On-the-spot verifications of operations: the on-the-spot verifications by the MA and its IB(s) should be undertaken when the project is well under way, both in terms of physical and financial progress (e.g. for training measures).	
	4.2 On-the-spot verifications of individual operations may be carried out by the MA or its IB(s) on a sample basis. [See remaining text in Annex I to this guidance.]	
	4.3 Written procedures and comprehensive checklists should exist to be used for the management verifications in order to detect any material misstatements. [See remaining text in Annex I to this guidance.]	
	4.4 Evidence should be kept of: (a) the administrative verifications and the on-the-spot verifications, including the work done and the results obtained; (b) the follow-up of the findings detected. These records constitute the supporting documentation and information for the annual summary to be prepared by the MA.	
	4.5 The existence of procedures approved by the MA to ensure that the CA receives all necessary information on the verifications carried out for the purpose of certification. Management verifications should be completed on time for expenditure certified in the accounts of a given accounting year.	
Article 72(g), Article 122(3), Article 140, Article 125(4)(d) and (8) CPR	**KR 5) Effective system in place to ensure that all documents regarding expenditure and audits are held to ensure an adequate audit trail**	
AC	5.1 The detailed accounting records and supporting documents for operations are kept at the appropriate management level (such as the technical specifications and financial plan of the operation, progress in achieving outputs and results and monitoring reports, documents concerning application, evaluation, selection, grant approval and tendering and contracting procedures and reports on inspections of the products and services co-financed) and provide the information set in Article 25(1) CDR. The accounting system enables both the beneficiaries and the other bodies involved to be identified together with the justification for the payment.	
	5.2 A record is kept by the MA of the identity and location of bodies holding the supporting documents relating to expenditure and audits. This includes all documents required for an adequate audit trail, which may be in electronic form in case of electronic data exchange between beneficiaries and relevant bodies pursuant to Article 122(3) CPR.	
	5.3 Procedures are in place to ensure that all documents required to ensure an adequate audit trail are held in accordance with the requirements of Article 140 CPR i.e. regarding availability of documents.	
Article 72(d), Article 112(3), Article 122(3), Article 125(2)(a),(d), (e), Article 125(4)(d) and (8), Article 140 CPR	**KR 6) Reliable system for collecting, recording and storing data for monitoring, evaluation, financial management, verification and audit purposes, including links with electronic data exchange systems with beneficiaries**	
AC	6.1 The existence of a computerised system capable to collect, record and store on each operation the data required by Annex III of the CDR, including data relating to indicators and milestones and on the progress of the programme in achieving its objectives provided by the MA 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.	
	6.2 Adequate procedures are in place to allow for the aggregation of the data where this is necessary for the purposes of evaluation, audits, as well as for payment applications and accounts, annual summaries, annual implementation and final reports, including reports on financial data, submitted to the	

References to Articles in CPR, CDR and Financial Regulation	KEY REQUIREMENTS (KR) and ASSESSMENT CRITERIA (AC)	ASSESSMENT CATEGORIES[6]
	Commission.	
	6.3 Adequate procedures are in place to ensure: (a) the security and maintenance of this computerised system, data integrity taken account of internationally accepted standards as for example ISO/IEC 27001:2013 and ISO/IEC 27002:2013, data confidentiality, the authentication of the sender and storage of documents and data in particular in accordance with Articles 122(3), 125(4)(d), 125(8) and 140 CPR; and (b) the protection of individuals with regard to the processing of personal data.	
Article 72(h), Article 122 (2), Article 125 (4)(c) CPR	**KR 7) Effective implementation of proportionate anti-fraud measures**	
AC	7.1 Before the beginning of programme implementation, MAs carry out a fraud risk assessment of the impact and likelihood of fraud risks relevant to the key processes in the implementation of the programmes. The fraud risk assessment should ideally be carried out on an annual basis, or every second year, depending on risk levels. The results of the fraud risk assessment should be endorsed by the senior management of the MA.	
	7.2 The anti-fraud measures are structured around four key elements in the anti-fraud cycle: prevention, detection, correction and prosecution.	
	7.3 Adequate and proportionate preventive measures, tailored to the specific situations, are in place in order to mitigate the residual risk of fraud to an acceptable level (such as mission statement, code of conduct, tone from the top communication, allocation of responsibilities, training and awareness raising actions, data analytics and up-to-date awareness of fraud warning signs and fraud indicators).	
	7.4 Appropriate detective measures of 'red flags' are in place and effectively implemented.	
	7.5 Adequate measures are in place once a suspected case of fraud is detected ensuring clear reporting mechanisms on both suspicions of fraud and also control weaknesses ensuring sufficient coordination with the AA, competent investigative authorities in the Member State, the Commission and OLAF.	
	7.6 Appropriate processes are in place for following up any suspected cases of fraud and related recoveries of EU funds spent in a fraudulent manner.	
	7.7 Follow-up procedures are in place to review any processes, procedures or controls connected to the potential or actual fraud and feed into the subsequent review of the fraud risk assessment.	
Article 125(4)(e) CPR	**KR 8) Appropriate procedures for drawing up the management declaration and annual summary of final audit reports and of controls carried out**	
AC	8.1 For the preparation of the annual summary, adequate procedures are in place to ensure: (a) an adequate review and follow-up of the final results of all audits and controls carried out by the relevant bodies for each programme, including management verifications carried out by the MA or on its behalf by IBs and audits carried out by or under the authority of the AA and EU audits; (b) the 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.	
	8.2 The management declaration should be based on the annual summary, and should be drawn up in accordance with the model set out in the relevant Commission Implementing Regulation.	
	8.3 The work carried out in preparation of the annual summary and the management declaration should be adequately documented.	
	8.4 The annual summary and management declaration as well as all relevant supporting documentation and information are made available in due time to the AA for the purpose of the AA's assessment. Adequate internal deadlines are set for this purpose.	
	Certifying authority/intermediate body	
Article 72(a), (b) and (e), Article 123 (2) and (6), Article 126 CPR	**KR 9) Adequate separation of functions and adequate systems for reporting and monitoring in cases where the responsible authority entrusts execution of tasks to another body**	
AC	9.1. A clear description and allocation of functions (organisation chart, indicative number of posts, qualifications and/or experience required, job descriptions) including existence of a formal documented agreement clearly setting up any tasks which are delegated by the CA to the IBs.	
	9.2. Adequate number of sufficiently qualified human resources at the different levels and for the different functions within the CA, taking into account the number, size and complexity of the programmes concerned, including appropriate outsourcing arrangements if any.	
	9.3. Compliance with the principle of separation of functions within the organisation of the CA, where appropriate and in particular in case the Member States has decided to keep the certification function within the same administrative structure as the MA, as well as between the CA and other authorities in the management and control system (MA and/or its IBs, the AA and/or other audit bodies).	
	9.4. Complete and adequate procedures and manuals exist and are updated as necessary, covering all key activities within the CA and IBs, including reporting and monitoring procedures for irregularities (irregularities reported by IBs or detected by the CA) and for the recovery of amounts unduly paid.	
	9.5 Adequate procedures and arrangements are in place to effectively monitor and supervise the tasks delegated to the IB(s) on the basis of adequate	

References to Articles in CPR, CDR and Financial Regulation	KEY REQUIREMENTS (KR) and ASSESSMENT CRITERIA (AC)	ASSESSMENT CATEGORIES[6]
	reporting mechanisms (review of the IB's methodology, regular review of results reported by the IB, including where possible re-performance on a sample basis of the work carried out by the IB).	
	9.6 Framework for ensuring that an appropriate risk management exercise is conducted when necessary	
Article 126(a), (e) and (f) CPR	**KR 10) Appropriate procedures for drawing up and submitting payment applications**	
AC	10.1. Adequate procedures, where appropriate, to ensure that it receives and takes into account adequate information from the MA and/or its IB(s) on the first-level management verifications carried out, and the results of the audits carried out by or under the responsibility of the AA. [See remaining text in Annex I to this guidance.]	
	10.2. Procedures with detailed checks, responsibilities and workflow for the certification process.	
Article 126(d), (g) CPR	**KR 11) Appropriate computerised records of expenditure declared and of the corresponding public contribution are maintained**	
AC	11.1. Adequate accounting records are maintained in computerised form of expenditure declared to the Commission.	
	11.2. Appropriate procedures are in place for maintaining accurate and complete computerised records of expenditure submitted for certification by the MA including the corresponding public contribution paid to beneficiaries.	
	11.3. Ensure an adequate audit trail by recording and storing in computerised form, accounting records for each operation and which supports all the data required for drawing up payment applications and accounts. The audit trail within the CA should allow reconciliation of the expenditure declared to the Commission with the expenditure statements received from the MA/IBs.	
Article 72(h), Article 137(1)(b) and (2) CPR	**KR 12) Appropriate and complete account of amounts recoverable, recovered and withdrawn**	
AC	12.1. Adequate and effective procedures are in place to maintain accurate and complete evidence of the amounts withdrawn and recovered during the accounting year, the amounts to be recovered as at the end of the accounting year, the recoveries carried out pursuant to Articles 72(h) and 137(1)(b) of the CPR, and that the irrecoverable amounts presented in the accounts correspond to the amounts entered in the accounting systems.	
	12.2 Appropriate accounting records are maintained to evidence that expenditure has been excluded from the accounts in accordance with Article 137(2) CPR, where applicable, and that all the required corrections are reflected in the accounts for the accounting year concerned.	
Article 72 h); Article 126 (b),(c) and (h); Article 137 CPR	**KR13) Appropriate procedures for drawing up and certifying the completeness, accuracy and veracity of the accounts**	
AC	13.1. Adequate procedures should be in place for drawing up and certifying the completeness, accuracy and veracity of the accounts and ensuring that the expenditure entered in the accounts complies with the applicable law and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme.	
	13.2. Adequate procedures to ensure that expenditure entered in the accounts corresponds to interim payments declared in the accounting year after deduction of all irregular amounts detected through management verifications and audits and withdrawn or recovered in the given accounting year, and after temporary withdrawal of any expenditure which is undergoing an assessment of its eligibility at the time of drawing the accounts. Corrections of clerical errors should be also reflected.	
	13.3. Adequate procedures to ensure that amounts recovered, to be recovered, withdrawn from previous interim payment claims and irrecoverable are properly reflected in the accounts. The procedure should ensure keeping account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid prior to closure of the programme by deducting them from the next statement of expenditure.	
	13.4. The accounts are made available in due time to the MA for information and to the AA for the purpose of their assessment. Adequate internal deadlines are set for this purpose.	
	13.5 Adequate procedures to ensure timely reporting of the accounts to the Commission in line with Article 59(5) of the Financial Regulation.	
	Audit authority	
Article 72(a), (b) and (e), Article 123(4) and (5) CPR	**KR 14) Adequate separation of functions and adequate systems for ensuring that any other body that carries out audits in accordance with the programme audit strategy has the necessary functional independence and takes account of internationally accepted audit standards**	
AC	14.1 A clear description and allocation of functions in accordance with the audit strategy (organisation chart, planned resources, qualifications and/or experience required, training requirements, etc.), including the existence of a formal agreement clearly setting out any tasks that are carried out by other audit bodies under supervision of the AA.	

References to Articles in CPR, CDR and Financial Regulation	KEY REQUIREMENTS (KR) and ASSESSMENT CRITERIA (AC)	ASSESSMENT CATEGORIES[6]
	14.2 Required staff with necessary expertise to fulfil all requirements, taking into account the number, size and complexity of the programmes concerned, including appropriate outsourcing arrangements if any.	
	14.3 Compliance with the principle of separation of functions between the AA (as well as other audit bodies if applicable) and other bodies in the management and control system (MA, CA and/or their IBs) together with the principle of independence of the AA and other audit bodies, as set out in Articles 72 ((a) and (b)) and 123 (4 and 5) of the CPR (cf. also Commission's guidance on designation and on audit strategy).	
	14.4 Complete and adequate procedures and manuals based on internationally accepted audit standards, including internal quality review and, where appropriate, procedures to monitor and supervise the effectiveness of tasks delegated to other audit body/ies on the basis of adequate reporting mechanisms.	
Article 72(f), Article 127(1) CPR	**KR 15) Adequate system audits**	
AC	15.1 The system audits are performed in accordance with the last updated audit strategy, are based on a clearly described audit methodology including a proper risk analysis and taking account of internationally accepted audit standards.	
	15.2 The audit scope focuses on the key requirements of the management and control systems in the relevant bodies (MA, CA and IBs). The audit scope includes, inter alia, verification that the relevant authorities properly ensure compliance with EU and national rules on public procurement, State aid, environment, financial instruments, sustainable development, publicity, equal opportunity requirements and non-discrimination, reliability of data relating to output indicators and milestones and on the progress of the programme in achieving its objectives.	
	15.3 All phases of the systems audits are properly documented. Adequate and complete checklists exist that address verifications on all key requirements of the management and control systems.	
	15.4 There are effective procedures for monitoring the implementation of recommendations and corrective measures resulting from audit reports.	
	15.5 There is sufficient evidence present to allow for verification of the establishment of the assurance level which has been obtained from the systems.	
Article 72(f), Article 127 CPR, Article 27and 28 CDR	**KR 16) Adequate audits of operations**	
AC	16.1 A description of the approved methodology for selection of operations exists, covering the sampling method, the sampling unit, the parameters for sampling, the results and the degree of confidence obtained from the system audits (or, in an initial stage, from the work inherent to the designation process), including the planned materiality level, in accordance with Article 127(1) of the CPR and Article 28 of the CDR (cf. also Commission's guidance on sampling).	
	16.2 The audits of operations take account of internationally accepted audit standards, are carried out in accordance with the audit strategy.	
	16.3 The audits of operations are carried out on the basis of supporting documents constituting the audit trail and verify the legality and regularity of expenditure declared to the Commission, covering at least the elements set out in Article 27 of the CDR, namely: [See remaining text in Annex I to this guidance.]	
	16.4 The audits of operations include, where applicable, on-the-spot verification of the physical implementation of the operation.	
	16.5. The audits of operations verify the accuracy and completeness of the corresponding expenditure recorded by the certifying authority in its accounting system and the reconciliation of the audit trail at all levels.	
	16.6 In particular, all phases of the audits of operations should be properly documented in working papers (including checklists) evidencing the specific audit work done, the audit reports produced and the conclusions drawn from such work.	
	16.7. As required by Article 27(5) of the CDR, where problems detected appear to be systemic in nature and therefore entail a risk for other operations under the operational programme, the audit authority shall ensure further examination, including, where necessary, additional audits to establish the scale of such problems, and shall recommend the necessary corrective actions.	
	16.8 There are effective procedures for monitoring the implementation of recommendations and corrective measures arising from audit of operations.	
Article 127(7) CPR, Article 29 CDR, Article 59(5)(a) and (b) of the Financial Regulation	**KR 17) Adequate audits of accounts**	
AC	17.1 Audits of accounts are carried out by the AA in accordance with Article 29 of the Commission Delegated Regulation (EU) No 480/2014 (cf. also Commission's guidance on audit on accounts) and with the programme's audit strategy, focusing on the assessment of the key requirements relevant for the CA.	
	17.2 For the purpose of the audit opinion, in order to conclude that the accounts give a true and fair view, the AA verifies that all elements required by Article 137 of the CPR are correctly included in the accounts and correspond to the supporting accounting records maintained by all relevant authorities or	

References to Articles in CPR, CDR and Financial Regulation	KEY REQUIREMENTS (KR) and ASSESSMENT CRITERIA (AC)	ASSESSMENT CATEGORIES[6]
	bodies and beneficiaries. The AA, on the basis of the accounts to be provided to it by the CA, verifies that: [See remaining text in Annex I to this guidance.]	
	17.3 Audits of accounts take account of internationally accepted audit standards. In particular, all phases of the audits of accounts should be properly documented in working papers (including checklists) evidencing the specific audit work done (during system audits, audits of operations and the final additional verifications on the accounts submitted by the CA to the AA), the audit reports produced and the conclusions drawn from such work.	
	17.4 There are effective audit procedures at the AA level for monitoring the implementation of recommendations and corrective measures resulting from audits of accounts, including the accurate reflection of the financial corrections made in the accounts (as a follow up to the results of the audits of operations).	
Article 127(5) CPR, Article 59(5)(b) of the Financial Regulation	**KR 18) Adequate procedures for providing reliable audit opinion and for preparing the annual control report**	
AC	18.1 The AA has in place procedures to ensure that the ACR and Audit Opinion is reliable, reflects the conclusions drawn from the system audits, audits of operations and audits of accounts, follows the models set out in the relevant Commission Implementing Regulation (cf. also Commission's guidance on ACR and Audit Opinion).	
	18.2 The AA has in place procedures to ensure that the ACR and Audit Opinion are submitted to the Commission by the deadline set in Article 59(5)(b) of the Financial Regulation.	
	18.3 The AA has in place procedures to ensure that the ACR and Audit Opinion is reliable, reflects the conclusions drawn from the system audits, audits of operations and audits of accounts, follows the models set out in the relevant Commission Implementing Regulation and takes account of the Commission's guidance on ACR and Audit Opinion.	
	18.4 All detected errors are appropriately reported and treated in view of the error rate and audit opinion.	
	18.5 Where the total projected error rate is above the materiality level, the AA analyses its impact and makes recommendations in order to ensure that corrective actions are taken in order to obtain an acceptable residual total error rate.	
	18.6 The ACR and Audit Opinion should cover all Member States concerned in programmes under the European territorial cooperation objective.	

Prepared by: Date:
Reviewed by: Date:

ANNEX III: OVERALL CONCLUSION BY MANAGEMENT AND CONTROL SYSTEM

Member State's Authority	Assessment by authority (Categories 1 – 4)	Existing mitigating factors / Compensating controls which directly influence assessment made at system level	Residual risk to regularity[8]	Overall conclusion by system (Categories 1 – 4)
Managing authority				
Certifying authority				
Audit authority				
Prepared by: Date: Reviewed by: Date:				

[8] Very low, Low, Medium, High.

ANNEX IV: TABLE LINKING THE KEY REQUIREMENTS WITH THE DESIGNATION CRITERIA

Body	*KR/AC*	*Related designation criteria (Annex XIII CPR)*
MA	**KR1**	
MA	1.1	1. (i) / 1. (ii)
MA	1.2	1. (iv)
MA	1.3	1. (i)
MA	1.4	1. (ii) / 3. A.
MA	1.5	1. (ii)
MA	1.6	
MA	**KR 2**	
MA	2.1	3 . A (i)
MA	2.2	3 . A (i)
MA	2.3	3 . A (i)
MA	2.4	3 . A (i)
MA	2.5	3 . A (i)
MA	**KR 3**	
MA	3.1	3.A.(v) / 3.A.(ix)
MA	3.2	3.A.(ix)
MA	3.3	3.A.(ix)
MA	**KR 4**	
MA	4.1	3. A. (ii) and (iii)
MA	4.2	3. A. (ii)
MA	4.3	3. A. (i) / 3.A.(ii) / 3. A. (iii) / 3.A.(v)
MA	4.4	3.A.(ii) / 3. A. (vii)
MA	4.5	3.A.(ii) / 3. B. (iv) / 4.B.
MA	**KR 5**	
MA	5.1	3.A.(iv) / 3.A.(vii)
MA	5.2	3.A.(iv) / 3.A(vii)
MA	5.3	3.A (vii)
MA	**KR 6**	
MA	6.1	3.A (iv) and 4 . A (i) / and (ii)
MA	6.2	3.A (iv) and (vii) and 4 . A (i) / and (ii)
MA	6.3	3.A (iv)
MA	**KR 7**	
MA	7.1	3. A. (vi)
MA	7.2	3. A. (vi)
MA	7.3	3. A. (vi)
MA	7.4	3. A. (vi)
MA	7.5	3. A. (vi)

Body	*KR/AC*	*Related designation criteria (Annex XIII CPR)*
MA	7.6	3. A. (vi)
MA	7.7	3. A. (vi)
MA	**KR 8**	
MA	8.1	3. A (viii)
MA	8.2	3. A (viii)
MA	8.3	3. A (viii)
MA	8.4	3. A (viii)
CA	**KR 9**	
CA	9.1	1. (i) / 1. (ii)
CA	9.2	1. (iv)
CA	9.3	1. (i)
CA	9.4	1. (ii) / 3. B.
CA	9.5	1.(ii)
CA	9.6	
CA	**KR 10**	
CA	10.1	3.B.(iv) / 4.B.
CA	10.2	1. (ii) / 3 / B. (i)
CA	**KR 11**	
CA	11.1	3.B. (iii)
CA	11.2	3.B. (iii)
CA	11.3	3.B. (iii)
CA	**KR 12**	
	12.1.	3.B. (iii)
	12.2	3.B. (iii)
CA	**KR 13**	
CA	13.1	3.B. (ii)
CA	13.2	3.B. (i) / 3.B.(ii)
CA	13.3	3.B. (ii)
CA	13.4	3.B. (ii)
CA	13.5	3.B. (ii)
AA	**KR 14**	n.a.
AA	**KR 15**	n.a.
AA	**KR 16**	n.a.
AA	**KR 17**	n.a.
AA	**KR 18**	n.a.

norma

N.º 01/AD&C/2015 - Data: 2015/02/13

Anexo 2

Guidance for Member States on Designation Procedure (EGESIF_14-0013-final, de 18/12/2014)

EUROPEAN COMMISSION

European Structural and Investment Funds

Guidance for Member States on Designation Procedure

DISCLAIMER

"*This is a working document prepared by the Commission services. On the basis of applicable EU law, it provides technical guidance for colleagues and bodies involved in the monitoring, control or implementation of the European Structural and Investment Funds on how to interpret and apply the EU rules in this area. The aim of this document is to provide Commission services' explanations and interpretations of the said rules in order to facilitate the programme implementation and to encourage good practice(s). This guidance 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	AA
CA	CA
CCI	Code Commun d'Identification (reference number of each programme, attributed by the Commission)
ACR	Annual Control Report
CDR	Commission Delegated Regulation (EU) No 480/2014 of 3.3.2014 supplementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council[1]
CPR	Common Provisions Regulation (Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17.12.2013) [2]
EGTC	European Grouping of Territorial Cooperation (as per Regulation (EU) No 1302/2013 of the European Parliament and of the Council of 17.12.2013)
EMFF	European Maritime and Fisheries Fund
ESIF	ESIF corresponds to all European Structural and Investment Funds. This guidance applies to all except for the European Agricultural Fund for Rural Development (EAFRD)
ETC	European Territorial Cooperation Regulation (Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17.12.2013)
Financial Regulation	Financial Regulation (Regulation (EU, EURATOM) No 966/2012[3]
Funds	Structural Funds and Cohesion Fund
IAB	Independent Audit Body
IB	Intermediate Body
JS	Joint Secretariat (for programmes under ETC)
KR	Key Requirement
MA	Managing Authority
MCS	Management and Control System

[1] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.138.01.0005.01.ENG

[2] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1303

[3] http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1416480945454&uri=CELEX:32012R0966

1. BACKGROUND

1.1. Regulatory references

Regulation	Articles
Reg. (EU) N° 1303/2013 Common Provisions Regulation *(hereafter CPR)*	Article 123 - Designation of authorities Article 124 - Procedure for the designation of the MA and the CA
Reg. (EU) N° 1299/2013 European Territorial Cooperation (*hereafter ETC*)	Article 21 - Designation of authorities

1.2. Purpose of the guidance

The purpose of this note is to give practical guidance to the Member States (i.e. the IABs, MA and CAs) on their responsibilities with regard to the designation procedure and the preparation of the report and opinion required under Article 124 CPR and Article 21 ETC, applicable to the ESIF (except for the EAFRD). The guidance also addresses some specificities applicable for programmes under ETC. The guidance note is accompanied by a checklist, which is recommended to be used as a tool by the MA and CA during the preparation of the MCS (MCS) description and by the IAB to facilitate and record its work. The checklist can be adapted to take account of any specific features of the Member State's MCS.

The models for the report and opinion on the compliance of the designated bodies' systems with the designation criteria (see Annex XIII CPR) are set out in Annex IV and Annex V of Implementing Regulation (EU) No 1011/2014 of 22 September 2014 adopted by the Commission according to Article 127(7) CPR.

All official correspondence between the Member State and the Commission related to the designation procedure will be carried out via SFC 2014.

1.3. Key differences with the 2007-2013 period

The designation procedure for the 2014-2020 period under Articles 123 and 124 CPR and Article 21 ETC is a Member State responsibility and represents an evolution from the arrangements applicable for the 2007-2013 period in obtaining the necessary assurance regarding the setup of the systems for management and control of the Funds. It has many similarities to the compliance assessment procedure used at the start of the 2007-2013 period.

The aim of the designation procedure is to ensure that the MA and CA have the necessary and appropriate MCS' set up from the start of the period to ensure that they can fulfil the responsibilities assigned to them under Articles 125 and 126 CPR respectively and Articles 23 and 24 ETC.

2. GUIDANCE

2.1. Notification of the designation decision and the Commission's role

Under Article 124(1) CPR, the Member State has to notify the Commission of the date and legal form of the designations, carried out at an appropriate level, of the MA and, where appropriate, of the CA prior to the submission of the first application for interim payment to the Commission. The legal form of the designation may correspond to a legislative act adopted at national level (e.g. law, decree, ministerial decision) or to any other form that the Member State considers appropriate. In any case, the document by which the Member State designates the MA and the CA should be final and adopted by the relevant national authorities by the date of the notification of the designation decision to the Commission; the reference to this document should be inserted in SFC2014 at the time of this notification.

In order to ensure full impartiality and independence in the designation process (Article 123 CPR), it is recommended that the body or person that has been attributed the power to designate bodies and/or monitor the designation, should not be the AA, the MA, the CA or an intermediate body.

When notifying the designation decision to the Commission in SFC2014, the Member State is invited to indicate if there is an unqualified audit opinion given by the IAB underpinning the designation. It is recommended that the body or person that has been attributed the power to designate bodies and/or monitor the designation is also responsible for notifying the designation decision to the Commission in SFC2014.

The procedure for notification of the designation and the Commission's role are summarised in a diagram at Annex 1 to this guidance.

2.2. The Description of the functions of the designated bodies

The description of the functions and procedures in place for the MA and the CA being designated forms the basis for the audit work to be carried out by the IAB as regards assessing the compliance of the MCS in these bodies with the designation criteria set out at Annex XIII CPR. The description should follow the model laid down in Annex III of Implementing Regulation (EU) No 1011/2014 and should contain information on the general principles of the MCS as referred to in Articles 72 to 74 and 122 to 126 CPR and Articles 21 to 24 ETC.

Depending upon the setup of the MCS, different authorities or bodies may be responsible for the preparation of different parts of the description. It is recommended that the MA and CA use the checklist in Annex 3 to this guidance (addressed primarily to AAs) as a self-assessment tool for the drawing-up of their systems descriptions. The MA should take responsibility for the description of the functions delegated to intermediate bodies under its supervision. The CA should take responsibility for the description of tasks of intermediate bodies under its supervision.

For programmes under ETC, the system description should clearly address the specificities of the MCS, including references to the different actors foreseen in the above-mentioned articles (EGTC, joint secretariat, controllers[4] and group of auditors[5] if any) and to the national authorities, where applicable.

The submission of a definitive description to the IAB is the key date for the initiation of the assessment of compliance with the designation criteria exercise. The Commission

[4] As per Article 23(4) of Regulation (EU) No 1299/2013.
[5] As per Article 25(2) of Regulation (EU) No 1299/2013.

recommends that the Member State appoints a specific body, which could be the MA or the co-ordinating body (Article 123(8) CPR), to take responsibility for formally submitting the definitive complete description, including all authorities/bodies and all aspects of the systems. The system description should only be submitted to the IAB when the organisational and procedural rules have been issued and approved in order to allow the IAB to complete its work efficiently. The IAB will then verify the completeness of the description before starting its work.

Under Article 21(3) ETC, the same principles apply. The Member State in which the MA is located has to carry out the procedure for designation. It is however recommended that the group of auditors, using the methodology developed by the IAB, should assist the IAB responsible for assessing the set up of a programme under ETC.

Where a common system applies for more than one programme, a single description can be used. A common system can be considered to exist where the same MCS supports the activities of several programmes. The criterion to take into account is the presence of the same main control elements. The criterion to take into account is the presence of the same key control elements, i.e. when the following elements are essentially the same for a set of programmes: (i) description of the functions of each body involved in management and control, and the allocation of functions within each body; (ii) procedures for ensuring the correctness and regularity of expenditure declared, including an adequate audit trail and supervision of IBs, where applicable. The existence of common risk levels (for example, similar IBs across several programmes with a common risk linked to the type of IB) may also be a factor to consider when determining the existence of a common system. Due to their specificities, namely the involvement of at least two Member States, the programmes under ETC should not be considered as pertaining to a common MCS together with mainstream programmes.

In the system description the responsibilities assumed by the common authorities, the common control elements, the separation of functions, the aspects of the systems that apply horizontally and those that are separate for each programme should be clearly defined.

2.3. Designation criteria

The designation is granted on the basis of designation criteria laid down in the CPR (see Annex 2) which concern the internal control environment, risk management, management and control activities, and monitoring activities of the designated bodies. The designation is made at an appropriate level decided by the Member State (the level or body is not specified in the CPR). It is recommended that the Member State determine at an appropriate level which body will be responsible for the designation and/or its ongoing monitoring (see section 13 below).

The setup of the systems in the MA should ensure that it is in a position to fulfil its responsibilities under Articles 72 and 125 CPR and Article 23 ETC including, inter alia, those related to separation of functions and programme management, selection of operations, financial management and control of the programme, including management verifications (administrative and on-the-spot), the presence of an adequate audit trail, effective and proportionate anti-fraud measures, drawing up the management declarations and annual summary and the necessary monitoring systems including those required for indicators.

The setup of the systems in the CA should ensure that it is in a position to fulfil its responsibilities under Article 126 CPR and Article 24 ETC including, inter alia, certifying expenditure to the Commission, drawing up complete and accurate accounts (Article 59(5) of the Financial Regulation), ensuring that accounting records are being maintained in computerised form, ensuring that it receives adequate information from the MA on the verifications carried out in relation to expenditure declared and taking account of the results of audits.

Under Article 123(7) CPR, the relevant arrangements between the MA/CA and the intermediate bodies are to be formally recorded in writing. These written agreements with the intermediate bodies, which should be in place from the start of the programmes, form an essential element of the MCS and should set out clearly the respective functions of each body. The same applies for programmes under ETC (EGTC, joint secretariats, controllers and national authorities, where relevant). As required under Annex XIII (point 1(ii)) CPR, where certain functions are delegated to intermediate bodies, the MA or CA must have procedures to ensure that information relevant to the execution of these tasks is made available to these bodies and that it has adequate procedures to review and supervise their work. This principle is also applicable for programmes under ETC.

The designation criteria focus primarily on the setup of the systems relating to the MA's and CA's functions and are very similar to the criteria used for the compliance assessment procedure for the 2007-2013 period, since the responsibilities of the Mas and CAs are essentially the same.

The Commission therefore encourages Member States to retain the existing elements of current systems where these are working well (e.g. low error rates reported, systems assessed in categories 1 and 2, implementation of Article 73 of Regulation 1083/2006 in the 2007-2013 period, implementation of Article 73 of Regulation 1198/2006 in the 2007-2013 period (EFF)). On the contrary, high error rates reported or systems assessed in categories 3 or 4 indicate a need for strengthening the MCS.

The idea is to build upon the assurance already obtained during the 2007-2013 period. In many cases, the MAs will be the same as those for the 2007-2013 period and assurance on these bodies will already have been built up from both the compliance assessment and from the audits that have been carried out on the functioning of the systems in these bodies. In this regard, Article 124(2) states that where the IAB concludes that part of the MCS for these bodies is essentially the same as for the 2007-2013 period and that there is audit evidence of its effective functioning during that period, it may conclude that the relevant criteria are fulfilled without carrying out additional audit work. This should increase the efficiency of the audit work needed for the designation process. The extent of reliance should be disclosed in the audit report/opinion. However, for the new criteria (the procedures for risk management and the anti-fraud measures, procedures for drawing up management declaration/annual summary/accounts and procedures to ensure reliability of data on indicators/milestones/progress of the programme in achieving its objectives), audit work will have to be performed in order to assess the compliance in these areas.

2.4. Planning and timing of the Independent Audit Body's (IAB) work

The IAB should have adequate time to complete the entire process of assessing compliance with the designation criteria which includes the following phases:

- The receipt of the description of the functions and procedures in place for the MA and the CA and gathering other relevant documents.
- Analysis of data gathered, examination of the documents and performance of the audit work required, including where considered appropriate interviews with staff.
- Preparation of the report and opinion and the contradictory procedure, including validation of the findings and conclusions. Adequate time should be allocated to this procedure to allow the authorities assessed to respond to observations and provide additional information.
- Translation of documents into the agreed working language for programmes under ETC.

It is recommended that a schedule be agreed between the authorities involved in the process.

If submission of the designation documents is required, either at the request of the Commission or at the Member State's initiative, then only the final version of the designation documents should be provided.

The IAB should make a first review to identify and prioritise the work to be performed, taking into account the existence of common systems for different programmes, the time and resources available for carrying out the assessment and any risks identified for particular programmes, authorities or other bodies, which should include the following elements:

- An examination of the systems description which should be in final form when the designation related audit work starts. As setting up the systems and preparing the system description can sometimes be complex and lengthy, the IAB may decide to start its work on available parts of the description before finalisation of the entire document.
- The examination of relevant documents concerning the systems. These documents can include laws, circulars, ministerial decrees, acts establishing intermediate bodies' responsibilities. In case of programmes under ETC, this list may also include the formal agreements between participating Member States and/ or regions designed to ensure the sound financial management of the programme. Therefore, the implementing and regulatory framework of the programmes should already be in place when the assessment takes place.
- Use of results of system audits carried out for the 2007-2013 period under Regulation (EC) No 1083/2006 and under Regulation (EC) 1198/2006 for the EFF, where the MCS concerned are essentially the same. The IAB should indicate in the report the extent to which it has taken account of this audit work, describing which body performed the audit work (including EU audits), when the audits were carried out (more reliance should be put on recent audits), the methodology applied for the audits, the scope of the work carried out.
- The examination of the procedures put in place related to the new areas/criteria included in the regulations; (e.g. risk assessment, the anti-fraud measures, annual accounts, management declaration, performance indicators and annual summary). The examination of the systems for keeping accounting records and data on implementation of operations, which means that these systems should be in place as well in line with the requirements included in Article 32 CDR.
- Interviews with the staff in the main bodies considered important. Where the programme is multi-regional, multi-fund or where the description concerns more than one programme, the interviews should be extended where necessary to include all relevant bodies. The IAB should indicate in the report the extent to which they performed interviews and specify the criteria for the selection of the interviewees.
- Verification of the consistency between the systems description and the explanations obtained in the course of the work carried out.

2.5. Work to be performed by the IAB drawing up the report and opinion on the designation

The IAB should plan and execute the work necessary in order to be in a position to provide an opinion on the compliance of the designated bodies with the designation criteria set out at Annex XIII CPR.

Under Article 124(2) CPR, this work must be carried out taking account of internationally accepted audit standards (INTOSAI, IFAC or IIA).

It should be noted that the assessment of the compliance with the designation criteria refers to the adequacy of the design of the MCS, which means that the Commission expects an opinion on the set up of the systems and not on their practical effectiveness at this stage. It is therefore not expected that the IAB performs tests on the functioning of the systems, even if implementation has started. However, when systems have been adapted compared to the 2007-2013 period, a critical assessment should be made of the adequacy of the related procedures and not just that procedures exist. The IAB has to base its report and opinion on the work referred to in Article 124(2) CPR, namely an assessment of the compliance of the designated authorities with the criteria relating to the internal control environment, risk management, management and control activities and monitoring.

The Commission, based on the provisions of the relevant articles CPR, including Annex XIII, has developed a checklist (Annex 3), which is recommended to be used as a tool by the IAB in order to carry out the assessment of compliance with the designation criteria. The checklist covers all authorities and bodies and the related designation criteria set out at Annex XIII CPR. It represents the recommended level of analysis of the compliance of the designated bodies with the designation criteria. The independent audit bodies are invited to expand and enrich the checklist according to their specific needs.

The IAB should maintain a full audit trail of the work performed including the audit planning, the documents obtained, the working papers, checklists used and details of the contradictory procedures.

On the basis of the detailed questions included in the checklist, the IAB should reach overall conclusions for the MA and the CA. These conclusions should then be transferred to the relevant part of the report in order to establish an overall conclusion. This overall conclusion will serve as the basis on which the IAB will sign its report and opinion on compliance of these bodies with the designation criteria.

In cases where the functions of the MA and the CA have been merged under Article 123(3) CPR or where the AA is part of the same public authority or body as the MA under Article 123(5) CPR, the IAB should assess how the principle of separation of functions is ensured.

Although notification of the designation only applies to the MAs and CAs, in cases where these bodies have delegated functions to intermediate bodies, they will need to ensure that they have adequate procedures in place to supervise the effectiveness of these delegated functions. In such cases, the relevant arrangements between the MA or CA and the intermediate bodies need to be formally recorded in writing. The IAB will need to obtain assurance on the adequacy of the setup of the systems related to such delegated functions at intermediate body level[6]. The IAB should be able to do this by auditing the MA's and/or the CA's own assessment of the intermediate body combined with some additional testing at intermediate body level, possibly on a sample basis.

For programmes under ETC, Member States participating in a cooperation programme may make use of a European Grouping of Territorial Cooperation notably by conferring on it the responsibilities of a MA. The IAB's work should cover the functions delegated to such bodies and to other actors (controllers, joint secretariat, national authorities where relevant) involved in the MCS.

In cases where the Member State or the MA has entrusted the management of part of a programme to an intermediate body by way of an agreement in writing between the

[6] Including the "urban authorities" mentioned in Article 7 (§4 and §5) Regulation (EU) No 1301/2013.

intermediate body and the Member State or MA (a 'global grant') under Article 123 (7), the IAB will also need to examine whether the Member State or the MA has obtained from the intermediate body the guarantees of its solvency and competence in the domain concerned, as well as of its administrative and financial management.

The IAB should describe in the report the extent and scope of the work performed and the methodology applied in order to reach its conclusions for the functions delegated to the intermediate bodies as a whole.

2.6. Anti-fraud measures

Under point 3.A.(vi) of Annex XIII CPR, for the purpose of designation, the MA is required to have procedures for putting in place effective and proportionate anti-fraud measures.

These procedures should set out how the provisions of Article 125(4)(c) CPR, which require the MA to put in place effective and proportionate anti-fraud measures taking into account the risks identified, will be implemented. In this respect, the Commission has issued guidance[7] to assist Member States.

Although there is no requirement for the fraud risk assessment to be carried out prior to the designation of the MA, it is recommended that the procedures should set out the timing for carrying out both the initial risk assessment, which should be at a very early stage in programme implementation, and in any event before payments to beneficiaries are processed in the system, and the expected frequency for updating the risk assessment. The procedures for putting in place effective and proportionate anti-fraud measures should include details of:

- the timing of the fraud risk assessment,
- who will be responsible for carrying out the risk assessment and
- who will be responsible for subsequently developing the necessary anti-fraud measures

As regards the fraud risk assessment, the guidance above-mentioned provides a tool to identify specific fraud risks in relation to three processes namely (i) selection of applicants, (ii) implementation and verification of the operations and (iii) certification and payments. The output of the fraud risk assessment should identify those specific risks where the assessment concludes that not enough has been done to reduce the combined likelihood and impact of potentially fraudulent activity to an acceptable level and the corresponding mitigating controls deemed necessary (anti-fraud measures). This risk assessment should be repeated during the period, its frequency depending on risk levels and the actual instances of detected fraud.

The anti-fraud measures should be embedded in the MCS. The fraud risk assessment will form the basis for responding to any deficiencies which will involve choosing effective and proportionate anti-fraud measures. These are annexed to the abovementioned guidance note. In some cases, the conclusion could be that most residual risks have been addressed and that therefore very few, if any, additional anti-fraud measures are required. The proposed risk assessment tool is therefore helpful to document the assessment process and conclusions for future reviews and updates.

[7] Guidance on Fraud risk assessment and effective and proportionate anti-fraud measures (EGESIF_14-0021-00 of 16/06/2014)

2.7. The Report and opinion on the compliance of the designated authorities with the designation criteria

Under Article 124(2) CPR, the report and opinion on the compliance of the designated authorities with the designation criteria should be drawn up by the IAB.

Models for the IAB's report and audit opinion are set out in Annexes IV and V of Implementing Regulation (EU) No 1011/2014 of 22 September. The model report has three sections namely (i) an introduction, (ii) a section describing the methodology and scope of the work performed and (iii) the results of assessment for each authority/body/system.

The IAB should base the report on the relevant conclusions of each part of the designation assessment checklist. The overall conclusion will serve as the basis for the opinion.

The MA and the CA should seek to resolve all outstanding issues to enable the IAB to provide an unqualified opinion. The IAB will need to exercise professional judgement in order to assess the results and the seriousness of any shortcomings identified in order to provide an appropriate audit opinion. The following guidance may be taken into account:

- Non-compliance with one or more designation criteria relating to key requirements of the system should lead to either a qualified or an adverse opinion. The designation criteria are set out at Annex 2 and are linked to the related key requirements[8] in Annex 4.
- In case of partial compliance with one or more designation criteria relating to key requirements of the system, the seriousness and extent of these shortcomings should be assessed by the IAB, which will decide whether a qualified opinion or an adverse opinion has to be formulated.

  An adverse opinion should be issued where the IAB considers that the number and seriousness of shortcomings with regard to the key requirements of the MCSs and non-key requirements result in wide-ranging non-compliance with the requirements CPR and in particular Articles 72, 125 and 126.

In accordance with internationally accepted auditing standards, the IAB may include an emphasis of matter paragraph in its audit opinion, without qualifying its opinion in respect of this matter.

According to its Article 32, the CDR, as regards information on data recorded and stored referred to in Annex III CDR applies either from 1 December 2014 or from 1 July 2015. Therefore, the opinion of the IAB, if issued before 1 December 2014, may be unqualified even if the computerised accounting and information system is not fully setup at the time the audit opinion on designation is being issued. However, in this case, an emphasis of matter paragraph should be included in the IAB's opinion. The setup of the IT system should be followed up by the body responsible for monitoring the designation.

2.8. Designation decision

Under Article 124(1) CPR, the Member State has to notify the Commission of the date and form of the designations, carried out at an appropriate level, of the MA and, where appropriate, of the CA. The designation is based on the report and opinion of the IAB.

[8] Guidance on a common methodology for the assessment of MCS in the Member States (EGESIF_14-0010).

Where the IAB's opinion on the MA and/or CA is:

- Adverse or qualified, the Member State should not designate that body.
- Unqualified, the Member State should designate the body/ies.

2.9. Treatment of interim payments

For the 2007-2013 period, the payment of the first interim claim for a programme by the Commission was conditional on the Commission's review and acceptance of the compliance assessment.

The designation procedure for the 2014-2020 period is more straightforward as no specific Commission approval of the designation process is required and interim payments can begin as soon as the MAs and CAs have been designated, and the Member State has notified the formal designation decision to the Commission following adoption of the programme (Article 124(1) CPR).

2.10. Monitoring of the designation

Article 124 CPR includes the obligation for the Member State to monitor the designated bodies (i.e. MA and CA) throughout the period.

The Member State needs to establish which body will be responsible for the monitoring. For programmes under ETC, this element needs particular attention given the usually complex systems in place and the variety of actors. Arrangements will need to be in place to ensure that the body responsible for the monitoring the designation has adequate access to and is provided with all relevant reports, including audit reports and reports on management verifications, to enable it to properly fulfil its monitoring role.

Under Article 124(5) CPR, during programme implementation, where audit and control results show that a designated authority no longer complies with the designation criteria, the Member State must, at an appropriate level, fix, according to the severity of the problem, a period of probation, during which the necessary remedial action is to be taken. This includes cases where the designation criteria in respect of functions delegated by the MA or the CA to IBs are no longer being complied with.

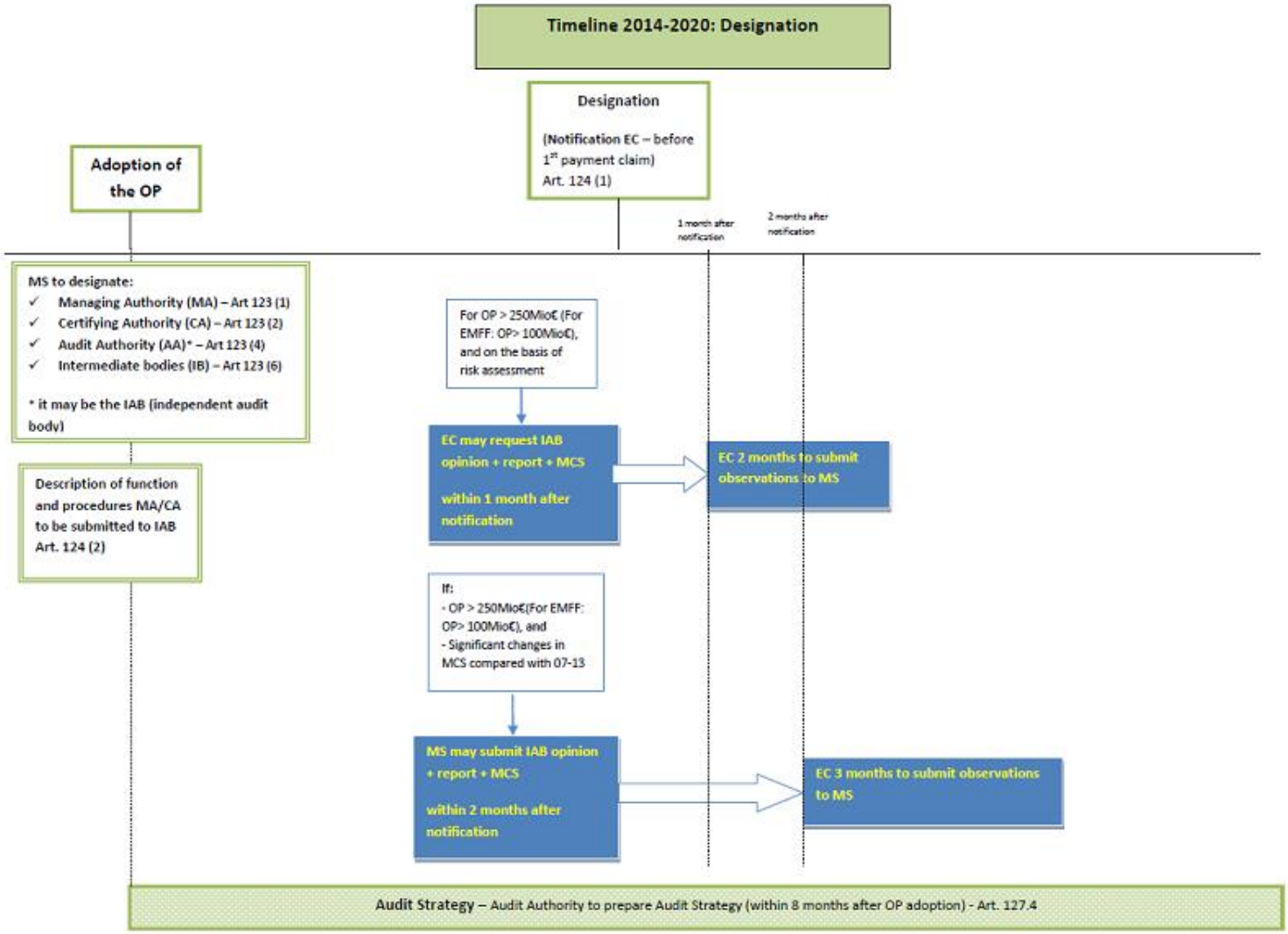
Where the designated authority fails to implement the required remedial action within the period of probation, the Member State must end its designation.

The Member State must notify the Commission without delay when a designated authority is put under probation, providing information on the respective probation period, the designation criteria not being complied with, when, following implementation of remedial actions, the probation is ended, as well as when the designation of an authority is ended. The notification that a designated authority has been put under probation by the Member State, without prejudice to the application of Article 83 CPR, will not be a reason for the Commission to interrupt the treatment of applications for interim payments.

Under Article 124(6) CPR where the designation of a MA or a CA is ended, the Member State must designate a new body which will, following its designation, take over the functions of that authority. The designation of the new authority is carried out in the same way as that of the original MA or CA with the preparation of a new system description and an assessment by the IAB as described above.

During implementation of a programme, if the MA or CA delegates functions to a new intermediate body there is no requirement to re-notify the designation of the MA or CA. However, the body responsible for monitoring the designation will need to monitor that these bodies continue to comply with the designation criteria following such a change. As mentioned in section 8, the relevant arrangements between the MA or CA and any new intermediate body will need to be formally recorded in writing. The body responsible for monitoring the designation will need to satisfy itself on the adequacy of the setup of the systems related to the functions delegated to the new intermediate body and this should be verified by the AA in the course of its system audit work. The MA or CA should immediately notify the AA of the designation of any new IBs. The AA should then assess the risks related to the new IB and revise its audit strategy accordingly with a view to providing assurance on the continued compliance of the MA or CA with the designation criteria as regards functions delegated to the new IB.

ANNEX 1: TIMELINE FOR DESIGNATION



ANNEX 2: DESIGNATION CRITERIA FOR THE MA AND THE CA

1. Internal control environment

(i) Existence of an organisational structure covering the functions of MAs and CAs and the allocation of functions within each of them, ensuring that the principle of separation of functions, where appropriate, is respected.

(ii) Framework for ensuring, in case of delegation of tasks to intermediate bodies, the definition of their respective responsibilities and obligations, verification of their capacities to carry out delegated tasks and the existence of reporting procedures.

(iii) Reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.

(iv) Plan for allocation of appropriate human resources with necessary technical skills, at different levels and for different functions in the organisation.

2. Risk management

Taken into account the principle of proportionality, a framework for ensuring that an appropriate risk management exercise is conducted when necessary, and in particular, in the event of major modifications to the activities (i.e. MCS).

3. Management and Control activities

A. Managing Authority

(i) Procedures regarding grant applications, appraisal of applications, selection for funding, including instructions and guidance ensuring the contribution of operations to achieving the specific objectives and results of the relevant priority axes in accordance with the provisions of Article 125(3)(a)(i) CPR.

(ii) Procedures for management verifications including administrative verifications in respect of each application for reimbursement by beneficiaries and the on-the-spot verifications of operations.

(iii) Procedures for treatment of applications for reimbursement by beneficiaries and authorisation of payments.

(iv) Procedures for a system to collect record and store in computerised form data on each operation, including, where appropriate, data on individual participants and a breakdown of data on indicators by gender when required, and to ensure that systems security is in line with internationally accepted standards.

(v) Procedures established by the MA to ensure that beneficiaries maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation.

(vi) Procedures for putting in place effective and proportionate anti-fraud measures.

(vii) Procedures to ensure an adequate audit trail and archiving system.

(viii) Procedures to draw up the management declaration of assurance, report on the controls carried out and weaknesses identified, and the annual summary of final audits and controls.

(ix) Procedures to ensure the provision to the beneficiary of a document setting out the conditions for support for each operation.

B. Certifying Authority

(i) Procedures for certifying interim payment applications to the Commission.

(ii) Procedures for drawing up the accounts and certifying that they are true, complete and accurate and that the expenditure complies with applicable Union and national rules taking into account the results of all audits.

(iii) Procedures for ensuring an adequate audit trail by maintaining accounting records including amounts recoverable, recovered and withdrawn for each operation in computerised form.

(iv) Procedures, where appropriate, to ensure that it receives adequate information from the MA on the verifications carried out, and the results of the audits carried out by or under the responsibility of the AA.

4. Monitoring

A. Managing Authority

(i) Procedures to support the work of the monitoring committee.

(ii) Procedures to draw up and submit to the Commission annual and final implementation reports.

B. Certifying Authority

(i) Procedures on the fulfilment of its responsibilities for monitoring the results of the management verifications and the results of the audits carried out by or under the responsibility of the AA before submitting payment applications to the Commission.

ANNEX 3: CHECKLIST FOR ASSESSING THE COMPLIANCE OF THE SET UP OF THE DESIGNATED BODIES WITH THE DESIGNATION CRITERIA AS SET IN ANNEX XIII OF THE REGULATION (EU) NO 1303/2013

[dd/mm/yy]

SCOPE

Member State/Region:

CCI:

Operational Programme:

Date of official submission of designation package by the Member State to the Independent Audit Body (hereinafter IAB):

Prepared by:
(signature, date)

Reviewed by:
(signature, date)

Introduction – Aim of using the checklist

The designations referred to in Articles 123 and 124 CPR and Article 21 ETC has to be based on a report and an opinion of an IAB that assesses the compliance of the authorities with the criteria relating to the internal control environment, risk management, control activities, and monitoring set out in Annex XIII.

It is recommended that this checklist be used by the IAB [IAB] to support and guide its audit work concerning its assessment of the compliance of the designated authorities with the designation criteria. During the course of its assessment, the IAB has to carry out its work taking account of internationally accepted audit standards. The checklist can be adapted to specific circumstances for the programme covered, as appropriate.

This checklist can also be used during the preparation of the MCS description as a self-assessment tool.

Assessment of MCSs essentially similar to the previous period

Where the IAB concludes that the part of the MCS, concerning the MA or the CA, is essentially the same as for the previous period, and that there is evidence, on the basis of audit work done in accordance with the relevant provisions of Regulation (EC) No 1083/2006, of their effective functioning during that period, it may conclude that the relevant criteria are fulfilled without carrying out additional audit work.

The IAB should duly document its conclusion in this regard.

Ending the designation of a body

Under Article 124(6) CPR concerning ending the designation of a MA or a CA, the IAB will need to carry out the same type of assessment of the compliance of the newly designated body with the designation criteria.

Key requirements of the system –non-compliance may lead to an adverse opinion

Non-compliance with one or more designation criteria relating to key requirements of the system should lead to either a qualified or an adverse opinion.

In case of partial compliance with one or more designation criteria relating to key requirements of the system, the seriousness and extent of these shortcomings should be assessed by the IAB, which will decide whether a qualified opinion or an adverse opinion has to be formulated.

Key requirements and assessment criteria linked to the designation criteria

Annex 4 sets out the key requirements and assessment criteria linked to the designation criteria. The numbering of the assessment used in Annex 5 is also used in column 2 of this checklist where relevant under each question.

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts

0. General Overview – Verification of the completeness of the documents submitted to the IAB

0.1.	Has the Member State submitted to the IAB **the description of the functions and procedures** in place for the managing authority and, where appropriate, the certifying authority? Are all elements of Annex III of the Commission Implementing Regulation indicated? Verify whether the documentation submitted is complete..		
0.2.	Is the following information explicitly mentioned in the documents submitted? - Title of the programme and CCI no; - Main contact person (including e-mail – body responsible for the description); - Date of the systems description (dd/mm/yy); - Description of the system structure; - Name, address and contact points of the Managing Authority; - Name, address and contact points of the Certifying Authority - Names, addresses and contact points of **all** Intermediate Bodies; - The legal status of the MA and the body of which it is part - The legal status of the CA and the body of which it is part - Is the MA also designated as CA (Art. 123 (3) of the CPR)?. If yes, confirm the MA is a public authority - For ETC programmes, are the name, address and contact points of the Joint Secretariat indicated? - For ETC programmes, are the names, addresses and contact points of the controllers (Art. 23 of Reg. 1299/2013) in each Member State indicated? -For ETC programmes, are the names, address and contact of the national authorities in each Member stated indicated (if relevant) ? - Has it been indicated how the principle of separation of functions between the AA and MA/CA is ensured when Art. 123(5) of Regulation (EU) No1303/2013 applies ?		
0.3.	For ETC programmes, does the description identify whether a body in one of the participating Member states has overall co-ordination responsibility for management and control issues?		
	Conclusion	Adequate / not adequate	

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts

1. Internal Control Environment – Annex XIII. of the CPR Regulation, point 1

This part of the checklist applies to all managing authorities [MA], certifying authorities [CA] and for functions delegated to intermediate bodies [IB.]

1.0.	Are any parts of the management and control systems that are linked to the internal control environment essentially the same as those of the previous programming period? If yes, detail which parts and justify how this conclusion is reached *(i.e. the conclusion that part of the management and control system, concerning the managing authority or the certifying authority, is essentially the same as for the previous programming period, and that there is evidence, on the basis of audit work done in accordance with the relevant provisions of Council Regulation (EC) No 1083/2006, of their effective functioning during that period) allowing the IAB to conclude that the relevant criteria are fulfilled without carrying out additional audit work*		
	1. (i) Existence of an organisational structure covering the functions of the managing and certifying authorities and the allocation of functions within them, ensuring that the principle of separation of functions, where appropriate, is respected.	***Key Requirements 1 and 9***	
1.1.	(1.1., 1.3., 9.1., 9.3.) Has a complete organisation chart been provided, covering: - all functions of the managing and the certifying authorities and the intermediate bodies (for delegated functions) and - the allocation of functions within each authority/body, ensuring that the principle of separation of functions, where appropriate, is respected? - the AA? Are all MA and CA functions covered?		
1.2.	(1.1., 1.3., 1.4., 9.1., 9.3.. 9.4.) Is general information and a flow chart showing the organisational relationships between the MA, CA, the IBs and the AA provided including the reporting lines to the Commission? Has it been described how the separation of functions is ensured in the case the MA also carries out the functions of the CA ?		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	For European Territorial Cooperation (ETC) programmes, does this information cover also the Joint Secretariat (JS), the controllers responsible for verifying the legality and regularity of the expenditure, the group of auditors and the national authorities where relevant ?		
1.3.	(1.1., 9.1.) In the case of ETC programmes, is it indicated how the controllers designated under the provisions of Art. 23 of Reg. 1299/2013 will report to the MA, for it to fulfil its obligations in accordance with Art. 125 of Reg 1303/2013.		
1.4.	(1.1., 9.1.) In the case of ETC programmes, is there a standard template implementing agreement between MA and lead beneficiary and lead beneficiary and project partners		
1.5.	(1.1., 1.3., 9.1., 9.3.) Where the managing authority is also a beneficiary under the operational programme, do arrangements for management verifications ensure adequate separation of functions?		
1.6.	(1.1., 1.3., 9.1., 9.3.) Are there procedures to ensure that staff in 'sensitive posts' (i.e. any post whose occupant could cause adverse effect to the integrity and functioning of the institution by virtue of the nature of his/her responsibility) are identified and that appropriate controls (including, where appropriate, rotation and segregation of functions policies) are applied to such posts?		
1.7.	(1.1., 1.3., 9.1., 9.3.) Are there procedures in place to identify and avoid conflicts of interest through an adequate policy of separation of functions?		
1.8.	(1.1., 9.1.) Ethics and integrity policies: Obtain a copy of the relevant laws, rules, codes and procedures to be applied by the auditee for ethics and integrity policies and verify whether they cover standards of behaviour for staff concerning, for example: - conflicts of interest (disclosure obligation); - use of official information & public resources; - receiving gifts or benefits - loyalty and confidentiality etc. Are these rules binding for staff working in the MA, CA or IBs ?		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	Is there a procedure to disseminate the rules and systematically inform staff about modifications of these rules / inform new staff about the rules?		
	1. (ii) Framework for ensuring, in case of delegation of tasks to intermediate bodies[9], the definition of their respective responsibilities and obligations, the verification of their capacities to carry out delegated tasks and the existence of reporting procedures.	***Key Requirements 1, 3, 9 and 10***	
1.9	*(10.1.) The independent audit body will need to obtain assurance on the adequacy of the setup of the systems related to such delegated functions at intermediate body level. The independent audit body should be able to do this by auditing the managing authority's and/or the certifying authority's own assessment of the intermediate body combined with some additional testing at intermediate body level, possibly on a sample basis.*	n.a.	n.a.
1.10	(3.1., 3.2., 3.3., 1.4., 9.4., 10.1. and 10.2) Are there procedures for making available to IBs and beneficiaries including information relevant to the execution of their tasks and the implementation of operations?		
1.11.	(1.1., 1.5., 9.1., 9.5. and 10.2.) Is a part of the management and control systems linked to intermediate bodies essentially similar to the previous programming period? If yes, mention which part and justify how this conclusion is reached. (See point 1.0 above)		
1.12	(1.1., 1.4., 9.4. and 10.2.) Have all intermediate bodies been formally designated (date and form of designation) or are in the process of being formally designated in accordance with Article 123(6) of Reg.1303/2013? For all IBs already known, confirm that relevant arrangements (formally recorded in writing) exist, describing the functions and tasks of the managing or certifying authorities that have been delegated to IB's. Are respective responsibilities and obligations of the		

[9] Including the urban authorities under Article 7 of Regulation of Regulation (EU) No 1301/2013.

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	MA/CA and IB clearly stated in writing? Is there a reference to the relevant documents in the description (legal acts with empowerments, agreements) ?		
1.13.	(1.1., 1.5., 9.5. and 10.2.) Are there procedures in the MA/CA to supervise the implementation of the delegated functions appropriate? Are there adequate procedures for reporting and monitoring between the MA/CA and the body to which tasks are delegated on the basis of adequate reporting mechanisms (review of IB's methodology, regular review of results reported by the IB, re-performance on sample basis of work carried out by IB)?		
1.14.	(1.1., 9.1. and 10.2.) Did the MA/CA obtain an organisation chart describing the allocation of tasks between and within IBs together with the indicative number of posts allocated? Detail any problems arising from the analysis of the organisation chart?		
1.15.	(1.1., 1.5., 9.1., 9.5. and 10.2.) Did the MA/CA verify the capacity (clearly defined responsibilities, clear organisation chart, etc.) of the IB to carry out the delegated tasks in relation i.e. to the selection of operations, management verifications or any other delegated tasks? The verification should be documented. The MA/CA should create and maintain evidence from the verifications carried out.		
1.16.	(1.4., 1.5., 1.6, 9.4., 9.5., 9.6. and 10.2.) Did the MA/CA assess whether there are manual(s) of procedures prepared for use by staff of the IB? Is there a formal procedure which controls the change, introduction or abandonment of these procedures? Are the procedures manuals based on the instructions from the MA/CA? Did the MA/CA assess whether these manuals are adequate? Has it been indicated how the results of this		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	assessment will be communicated to them and followed up? The assessment should be documented. The MA/CA should create and maintain evidence from the assessment carried out.		
1.17	(10.1.) In cases where the Member State or the managing authority has entrusted the management of part of an operational programme to an intermediate body by way of an agreement in writing between the intermediate body and the Member State or managing authority (a 'global grant') under article 123 (7), did the Member State or the managing authority obtain from the intermediate body the guarantees of its solvency and competence in the domain concerned, as well as of its administrative and financial management.		
	1. (iii) Reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid.	***Key Requirements 1, 4, 6, 7, 9 and 12***	
1.18.	(1.4, 4.2., 6.2, 7.5., 9.4 and 12.2.) Are there detailed written procedures in place for dealing with irregularities including fraud cases? If yes, do these procedures cover the following: - Definitions of irregularity, suspected fraud and fraud; - Detection and registration of irregularities, including fraud cases; - Reporting of irregularities (including standard formats), suspected fraud and established fraud to the Commission via OLAF's reporting system (IMS – Irregularities Management System), as foreseen under Article 3.4 of Council Regulation 883/2013; - Correction of irregularities, including suspected fraud and established fraud; - Follow-up of the progress in administrative and legal proceedings related to irregularities? Are there specific procedures to ensure coordination with the national Anti-Fraud Coordination Service (AFCOS) foreseen under Article 3.4. of Regulation EC No 883/2013? Confirm that the country has procedures (including a flowchart setting out the reporting lines) for regular reporting of (suspected) fraud and irregularities to the		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	Commission, in line with the requirement of art. 122(2) of the CPR.		
1.19.	In case of systemic irregularities, does the procedure in place set out the necessary steps to correct and mitigate the risk of any future recurrence?		
1.20.	Is the obligation for staff to report irregularities including fraud cases clearly set out in the procedures manuals?		
1.21.	Is there a procedure in place for whistle-blowing (i.e. concerning the right to inform an external independent contact point of irregularities or wrongdoing)? Are rules adequate in order to protect staff from internal sanctions in case of reporting?		
1.22.	(12.1., 12.2.) Are there procedures to ensure that the CA keeps accounting records of amounts recoverable from payments of Union funds (pending recoveries) and ensures that the decision of recoveries is made without undue delay/recoveries and is properly recorded?		
1.23.	Is there a procedure for recording interest related to recoveries?		
	1. (iv) Plan for allocation of appropriate human resources with the necessary technical skills, at different levels and for different functions in the organisation.	***Key Requirements 1 and 9***	
1.24.	(1.2. and 9.2.) Are procedures in place to ensure that staffing at all levels is adequate in terms of both numbers and expertise?		
1.25.	(1.1., 1.2. 9.1.and 9.2.) Do job descriptions detail the objectives and scope of the work, the tasks and responsibilities of each staff and the reporting framework?		
1.26.	(1.2. and 9.2.) Does the entity have an adequate staff selection procedure? Are selection criteria clearly defined?		
1.27.	(1.2. and 9.2.) Are there adequate procedures for - managing changes of staff (e.g. preparation of handover briefings)? - filling vacant posts		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
1.28.	(1.2. and 9.2.) Is there a replacement policy in place in case of long term absences of staff? If yes, does it ensure for a proper segregation of functions?		
1.29.	(1.2. and 9.2.) Are there adequate procedures for managing that the offices and equipment are adequate for carrying out the authority's functions and that there is the necessary technical equipment available?		
1.30.	(1.2. and 9.2.) Are there procedures to ensure that: - each staff member regularly receives the training required for his or her duties? - basic training is provided immediately to all new staff?		
1.31.	(1.2. and 9.2.) Are there procedures for regular staff assessment reporting (including self-assessment, if applicable)?		
	Conclusion:	Adequate / not adequate	

2. Risk management – Annex XIII. CPR, point 2

This part of the checklist applies to all managing authorities [MA], certifying authorities [CA] and for functions delegated to intermediate bodies [IB.]

2.0.	(1.1., 1.6., 9.1., 9.6.) Is a part of the management and control systems linked to the risk management essentially similar to the previous programming period? If yes, mention which part and justify how this conclusion is reached. (See point 1.0)		
	2. Taking into account the principle of proportionality, a framework for ensuring that an appropriate risk management exercise is conducted when necessary, and in particular, in the event of major modifications to the activities (to the management and control system).	***Key Requirements 1, 7 and 9***	
2.1.	(1.6., 9.6.) Are procedures in place to ensure that the audited entity performs a risk assessment exercise? If yes, obtain a copy of the procedure and a copy of the most recent risk assessment (if available) and check the following:		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	- Who performs it? - At what levels is it performed (organisational level, specific-activities level)? - What kind of risks are identified (internal, external…)?		
2.2.	(1.6., 9.6.) Does the procedure foresee that the risk assessment is done on a regular basis and in case of significant modification of the system?		
2.3.	Is there a procedure in place to ensure that results of the risk assessment are translated into adequate action plans? If yes, does the procedure adequately deal with the follow-up of these action plans? (note who does it and how).		
2.4.	(7.1., 7.2., 7.3., 7.4., 7.5., 7.6., 7.7.) When carrying out a risk assessment, is it ensured that a fraud risk assessment is also addressed? (Please see also section 3.A.(vi)).		
	Conclusion:	Adequate / not adequate	

3. Management and Control Activities – Annex XIII CPR, point 3

This part of the checklist applies to all managing authorities [MA], certifying authorities [CA] and for functions delegated to intermediate bodies [IB.]

	A. Managing authority		
3.0	(1.1., 1.5. and 10.2.) Is a part of the management and control systems linked to management and control activities of the MA essentially similar to the previous programming period? If yes, mention which part and justify how this conclusion is reached. (See point 1.0 above)		
3.1.	(1.4., 1.6.) Have the procedures below mentioned been prepared in writing for use by staff of the MA and is there a formal procedure that controls the change, introduction or abandonment of procedures and their communication to staff? Are these procedures considered adequate? Has a reference been included on the training organised/foreseen on these procedures and any guidance issued (date/reference) ?		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
3.2.	(1.4., 1.6.) Is the date of and reference of the procedures indicated?		
3.3.	(1.4, 1.6) In case certain tasks have been delegated to Intermediate Bodies, is the manual also used by Intermediate Bodies? Has it been indicated how this will be communicated to them and followed up? (See also point 1.16)		
	3.A.(i) Procedures regarding grant applications, appraisal of applications, selection for funding, including instructions and guidance ensuring the contribution of operations to achieving the specific objectives and results of the relevant priority axes in accordance with the provisions of Article 125(3)(a)(i).	***Key Requirements 1, 2 and 4***	
3.4.	(4.3., 1.4.) Are there adequate procedures at selection stage for the appraising, selecting and approving of operations (Article 125(3) of the CPR), including for ensuring the compliance of operations with the general principles and compliance with Union policies such as: - the ones related with partnership and multi-level governance (transparency, equal treatment…), - promotion of equality between men and women, - non-discrimination, - accessibility for persons with disabilities - sustainable development, - public procurement, - State aid, - environment rules?		
3.5.	(2.1.) Has the Managing Authority developed a selection procedure ensuring that selection criteria will be: a) non-discriminatory and transparent b) ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority, c) take into account the promotion of equality between men and women and the principles of sustainable development as set out in Articles 7 and 8 of the CPR. d) that operations are not selected where they have been physically completed or fully implemented before the application of funding by the beneficiary.		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
3.6.	(2.4.) Has the Managing Authority developed clear and sufficient procedures regarding the selection of operations (a) to ensure that a selected operation will fall within the scope of the Fund or Funds concerned and can be attributed to a category of intervention or, in the case of the EMFF, a measure identified in the priority or priorities of the operational programme; (b) to ensure that the beneficiary will be provided with a document setting out the conditions for support for each operation including the specific requirements concerning the products or services to be delivered under the operation, the financing plan, and the time-limit for execution; (c) to ensure that the beneficiary will have the administrative, financial and operational capacity to fulfil the conditions regarding the provision of funding, (d) to ensure that, where the operations will have started before the submission or an application for funding to the managing authority, applicable law for the operation will have been complied with; (e) to ensure that operations selected for support from the Funds or the EMFF will not include activities which are part of an operation which has been or should have been subject to a procedure of recovery following the relocation of a productive activity outside the programme area; (f) to determine the categories of intervention or, in the case of the EMFF, the measures to which the expenditure of an operation shall be attributed.		
3.7.	In the case of ETC programmes, do these procedures clearly refer to and respect the criteria set out in Art. 12 of Reg. 1299/2013 on selection of operations?		
3.8.	(2.2.) Calls for application: is there an adequate procedure in place to ensure that: - calls for applications will be published; - in accordance with the conditions and objectives of the OP, they will contain a clear description of the selection procedure used and of the rights and obligations of the beneficiaries. - they will be properly advertised, in order to reach all potential beneficiaries.		
3.9.	(2.3.) Is there an adequate procedure in place to ensure that all applications received will be recorded?		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	Applications should be registered on receipt, evidence of receipt delivered to each applicant and records kept of the approval status of each application. In particular, is there a procedure regarding declarations of non-conflict of interests to be filled in by all evaluators?		
3.10.	(2.4.) Is there an adequate procedure in place to ensure that all applications/projects will be evaluated in accordance with the applicable criteria? The evaluation should be applied consistently, the criteria/scoring used should be in accordance with those approved by the Monitoring Committee and mentioned in the calls, results should be documented, the substance of the applications evaluated, the financial, administrative and operational capacities of the beneficiaries to fulfil the responsibilities regarding the provision of funding should also be adequately evaluated. Is there an adequate procedure in place to ensure that all evaluators assessing the application/projects will possess the required expertise and independence?		
3.11.	(2.5.) Is there an adequate procedure in place to ensure that the decisions taken on the acceptance or rejection of applications/projects will be communicated to the applicants? The decisions should be taken by an appropriately authorised person/body, the results notified in writing and the reasons for acceptance or rejection of applications clearly set out. The appeals procedure and related decisions should be communicated to all applicants.		
	3.A.(ii) Procedures for management verifications including administrative verifications in respect of each application for reimbursement by beneficiaries and on-the-spot verifications of operations.	***Key Requirement 4***	
3.12.	(4.1., 4.2.) Are there adequate procedures in place to verify that, when management verifications will be carried out: - the co-financed products and services have been delivered and - that expenditure declared by the beneficiaries has been paid and - that it complies with applicable law (including national eligibility rules), the operational programme and the conditions for support of the operation; - that it complies with the Union Policies : -the ones related with partnership and multi-		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	level governance (transparency, equal treatment…), - promotion of equality between men and women, - non-discrimination, - accessibility for persons with disabilities - sustainable development, - public procurement, - state aid, - environment rules? Do these verifications consist of: (a) administrative verifications in respect of each application for reimbursement by beneficiaries; (b) on-the-spot verifications of operations that may be carried out on a sample basis . Will verifications cover administrative, financial, technical and physical aspects of operations, as appropriate? For ETC programmes, has it been clearly how the management verifications will be organised following specific rules on verifications for ETC cooperation programmes. Does the procedure describe the identification of the authorities/body that will be carrying out such verifications?		
3.13.	(4.1., 4.2.) Do procedures in place ensure that the frequency and coverage of the on-the-spot verifications shall be proportionate to: - the amount of public support to an operation and - to the level of risk identified by these verifications and audits by the audit authority for the management and control system as a whole?		
3.14.	(4.1., 4.2.) Where on-the-spot verifications are carried out on a sample basis, is it foreseen that the managing authority will maintain a record describing and justifying the sampling method?		
3.15.	(4.1., 4.2.) In the case of ETC programmes, is it specified whether on spot verifications will take place at the premises of the lead beneficiary only, or at the premises of all project beneficiaries?		
3.16.	(4.3.) Are there written procedures and comprehensive checklists to be used for the management verifications in order to detect any irregularity?		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	The checklists should address in particular verifications on: - the correctness of the application for reimbursement, - the eligible period, - the compliance with the approved project, - the compliance with the approved financing rate (where applicable), - the compliance with the relevant eligibility rules and Union and national rules on public procurement, State aid, environment, financial instruments, sustainable development, publicity, equal opportunity requirements and non-discrimination, - the reality of the project, including physical progress of the product/service and compliance with the terms and the conditions of the grant agreement and with the output and result indicators, - the expenditure declared and of the existence of audit trail. - the separate accounting system or an adequate accounting code for all transactions.		
3.17.	(4.1., 4.2.) Is there an adequate procedure in place to ensure that the administrative verifications regarding the expenditure in a particular statement are completed before submission of an interim payment application, including an examination of both the claim itself and the relevant supporting documentation attached? The range and type of supporting documentation to be requested from beneficiaries for verification should be based on a risk-assessment of each type of file or beneficiary.		
3.18.	(4.1., 4.2.) Is there an adequate procedure in place to ensure that the on-the-spot verifications are undertaken when the project is well under way, both in terms of physical and financial progress?		
3.19.	(4.1, 4.2. and 4.4.) Is there an adequate procedure in place to ensure that the managing authority will keep records of: - each verification, stating the work performed, the date and the results of the verification and - the follow-up of the findings detected including the measures taken in respect of irregularities detected?		
3.20.	(4.1., 4.2.) Is it ensured that where on-the-spot		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	verifications are not exhaustive, the sampling of operations is based on an adequate risk assessment and the records identify the operations selected, describe the sampling method used and provide an overview of the conclusions of the verifications and the detected irregularities?		
3.21.	(4.5.) Does the description foresee how the information on the verifications carried out including information on deficiencies and/or irregularities (including suspected and established fraud) detected and their follow up in the context of management verifications, audits and controls by Union or National bodies, is transmitted to the certifying authority and audit authority ?		
	3.A.(iii) Procedures for treatment of applications for reimbursement by beneficiaries and authorisation of payments.	***Key Requirement 4***	
3.22.	(4.3.) Are the procedures for processing of applications for reimbursement from and payments to beneficiaries described in line with Art 122(3) of Reg. EU 1303/2013? In particular: a) Is each step of the procedure by which applications for reimbursement are received, verified and validated described? b) Is each step of the procedure by which payments to beneficiaries are authorised, executed and accounted for described? c) Is the body performing each step of the procedure indicated (in case it is not the MA)? d) Is adequate separation of functions for the process ensured? e) Has a flowchart been provided, describing the processes and indicating all bodies involved? f) Are all needed and relevant supporting documentation attached? g) Is the procedure for transmitting information on the results of these MA verifications to the certifying authority described? h) Is the procedure developed in view of respecting the deadline of 90 days for payments to beneficiaries under Art 132 of Reg. EU 1303/2013? i) Has the current situation been described as regards the implementation of Art 122(3) of Reg. EU 1303/2013?		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	3.A.(iv) Procedures for a system to collect, record and store in computerised form data on each operation, including, where appropriate, data on individual participants and a breakdown of data on indicators by gender when required, and to ensure that systems security is in line with internationally accepted standards[10].	***Key Requirements 5, 6 and 11***	
3.23.	*Please note that article 32 of the Commission Delegated Regulation No 480/2014 concerning data to be recorded and stored in computerised form, shall apply either from December 2014 or from 1July 2015 as regards information on data recorded and stored referred to in Annex III of the CDR. The assessment of this designation criterion needs to be done against this legal framework.*	n.a.	
3.24.	(5.1., 5.2., 6.1.) Is there an adequate system in place to ensure collecting, recording and storing, in computerised form data on each operation,including, where appropriate, data on individual participants in operations data on individual participants in operations and a breakdown of data on indicators by gender when required,, necessary for monitoring, evaluation, financial management, verification and audit, as required by Article 125(2)(d) of the CPR and by Article 24 of the Commission Delegated Regulation No 480/2014? Does the audited body have a computerised system capable of providing reliable and relevant information as required in Annex III of the CDR, including data relating to indicators and milestones and on the progress of the OP in achieving its objectives provided by the managing authority under Article 125(2)(a) of the CPR?		
3.25	(5.1., 5.2., 6.1.) Does the system ensure that the data on indicators is broken down by gender where required by Annexes I and II of the ESF Regulation, as required by Article 125(2)(e) of the CPR?		
3.26.	(6.3.) Are there adequate procedures in place to ensure - the security[11] and maintenance of the computerised system, data integrity, data confidentiality, the		

[10] ISO/IEC standard 27001:2013 and ISO/IEC standard 2007:2013

[11] Taking into account the internationallly accepted standards: ISO/IEC standard 27001:2013 and ISO/IEC standard 2007:2013

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	authentication of the sender and storage of documents and data in particular in accordance with Articles 122(3), 125(4)(d), 125(8) and 140 of Reg. 1303/2013 -the protection of individuals with regard to the processing of personal data?		
3.27.	(5.1., 5.2., 6.3.) Is a description including a flowchart of the information system(s) supplied, showing their elements and the links between them, and whether they are networked or decentralised?		
3.28.	(5.1., 5.2., 6.3.) Has the system been used in the previous programming period. If yes, was it considered reliable (for example has it been audited?)		
3.29.	(5.1., 5.2., 6.3.) Does the IT system description deals adequately with the issue of separation of function?		
3.30.	(5.1., 5.2., 6.3.) Indicate whether the systems are already operational for gathering reliable data on the matters -mentioned at questions 3.24 – 3.25? If not, a) assess based on the planning obtained from the bodies responsible whether the system will be operational in line with article 32 of the CDR. Indicate of the date when they will be operational, in order to ensure compliance with the provisions referred above and with Article 125(2)(d) of the CPR. b) was the IAB provided with the result of the testing already carried out on the current version of the IT system? Could any conclusion or recommendation be made at this stage of development of the IT system? (e.g. in terms of segregation of duties, workflows, users' profiles, security[12], etc).		
	3.A.(v) Procedures established by the managing authority to ensure that beneficiaries maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation.	***Key Requirements 3 and 4***	
3.31.	(3.1., 4.3.h) Does the audited body have a procedure to verify whether the beneficiaries maintain either a separate accounting system or an adequate accounting code for all transactions relating to the assistance, which allows for the verification of: - the correct allocation of expenditure only partly relating to the co-financed operation and		

[12] See footnote to question 3.87.

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	- certain types of expenditure which are only considered eligible within certain limits or in proportion to other costs.		
	3.A.(vi) Procedures for putting in place effective and proportionate anti-fraud measures (Article 125.4 c).	***Key Requirement 7***	
3.32.	(7.1., 7.2., 7.3., 7.4., 7.5., 7.6., 7.7.) Are there adequate procedures in place for ensuring the putting in place of effective and proportionate anti-fraud measures taking into account the risks identified? Are these anti-fraud measures structured around the 4 key elements of the anti-fraud cycle (prevention, detection, correction and prosecution)? Is there a procedure for the monitoring and updating of the anti-fraud measures?		
3.33.	7.1., 7.2., 7.3., 7.4., 7.5., 7.6., 7.7.) Does the procedure ensure that if the fraud risk assessment shows that there is a residual (net) risk of fraud which is significant or critical, which is due to the existing controls being insufficient to mitigate against the identified fraud risks, the managing authority must demonstrate that it has put in place additional anti-fraud measures (and indicate actions to be taken and a timetable for their implementation)? Are there adequate and proportionate preventive measures, tailored to the specific situations, in order to mitigate the residual risk of fraud to an acceptable level (such as mission statement, code of conduct, tone from the top communication, allocation of responsibilities, training and awareness raising actions, data analytics and up-to-date awareness of fraud warning signs and fraud indicators)?		
3.34	(7.1., 7.2., 7.3., 7.4., 7.5., 7.6., 7.7.) Is there an adequate procedure in place ensuring that the fraud risk assessment - is carried out for the first time within satisfactory deadlines and - is repeated during the programming period, its frequency depending on risk levels and the actual instances of fraud? Although it is not a requirement, it is recommended that the risk assessment is performed prior to the designation of the managing authority or no later than		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	6 months after the designation. Are such provisions foreseen?		
3.35.	(7.1., 7.2., 7.3., 7.4., 7.5., 7.6., 7.7.) Does the procedure ensure that the fraud risk assessment covers the specific fraud risks in relation to: - the selection of applicants, - the implementation and verification of the operations, - the certification of expenditure and payments? Have other specific fraud risks not covered by the Commission's tool been identified? If yes, which are these risks?		
3.36.	Is there a procedure in place for whistle-blowing (i.e. concerning the right to inform an external independent contact point of irregularities or wrongdoing)? Are rules adequate in order to protect staff from internal sanctions in case of reporting?		
3.37.	(7.1., 7.2., 7.3., 7.4., 7.5., 7.6., 7.7.) Does the procedure related to the process of the fraud risk assessment ensure that: - the assessment team is appropriately composed of members from representative departments? - there is evidence that sources of information such as audit reports, fraud reports and control self-assessments are taken into account during the risk assessment process? - the self-assessment process is clearly documented, allowing for clear review of the conclusion reached? -there is evidence that senior management has adequate oversight and/or involvement in the process and approved the net level of risk exposure?		
3.38.	(7.1., 7.2., 7.3., 7.4., 7.5., 7.6., 7.7.) Does the audited body intend to use a specific data mining tool such as ARACHNE or any comparable tool in order to identify operations which might be susceptible to the risk of fraud, conflict of interest or irregularity? The use of web mining tool by the managing authority, which will be considered by the Commission as a good practice for fraud combatting measures, should be taken into account when assessing the adequacy of the controls in place.		
3.39.	(7.5.) In case of suspected case of fraud, does the procedure ensure that adequate reporting measures will		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	be taken, in particular regarding the co-ordination with the audit authority, the MS investigative authorities, the Commission and OLAF?		
3.40	(7.6. and 7.7.) Are there appropriate processes in place for following up any suspected cases of fraud and related recoveries of EU funds spent in a fraudulent manner? Are there follow-up procedures to review any processes, procedures or controls connected to the potential or actual fraud and feed into the subsequent review of the fraud risk assessment?		
	3.A.(vii) Procedures to ensure an adequate audit trail and archiving system.	***Key Requirements 4 and 5***	
3.41.	(4.1, 4.2. and 4.4.) Is there an adequate procedure in place to ensure that the managing authority will keep records of: - each verification, stating the work performed, the date and the results of the verification and - the follow-up of the findings detected including the measures taken in respect of irregularities detected?		
3.42.	(5.2.) Is there a procedure in place ensuring that a record is kept by the MA of the identity and location of bodies holding the supporting documents relating to expenditure and audits?		
3.43	(5.3.) Are there adequate procedures in place to ensure that all documents required to ensure an adequate audit trail are kept in accordance with the requirements of Article 72(g), Art 122(3), Art 125(4)(d) and Article 140 of Reg 1303/2013 and in accordance with the national rules of conformity of documents (Art 125(4)(d) of Reg 1303/2013 and Art 25 of Commission Delegated (EU) No 480/2014 ? Is there an adequate procedure in place dealing with: - the type of documents which have to be archived - the period during which these documents have to be archived? - the format in which the documents are to be held Are there instructions given on keeping supporting documents available by beneficiaries/intermediate bodies/managing authority? If yes indicate date and reference.		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
3.44.	(4.4., 5.1., 5.2.) Is the description of the audit trail sufficient to demonstrate that it: a) permits the reconciliation of the aggregate amounts certified to the Commission with the detailed accounting records and supporting documents held by the certifying authority, managing authority, intermediate bodies and beneficiaries as regards operations co-financed under the operational programme; b) permits the verification of payment of the public contribution to the beneficiary; c) permits the verification of the application of the selection criteria established by the monitoring committee; d) contains in respect of each operation as appropriate the technical specifications, financing plan, documents concerning the grant approval, document relating to public procurement procedures, progress reports and reports on verifications and audits carried out.		
3.45.	(5.1.) Is there a procedure in place ensuring that the technical specifications and financial plan of the operation, progress and monitoring reports, documents concerning application, evaluation, selection, grant approval and tendering and contracting procedures and reports on inspections of the products and services co-financed are kept at an appropriate management level?		
3.46.	(5.1.) Is there a procedure in place ensuring that the accounting records for operations are kept at the appropriate management level and provide detailed information on expenditure actually incurred in each co-financed operation by beneficiary? The accounting system should enable both the beneficiaries and the other bodies involved to be identified together with the justification for the payment.		
	3.A.(viii) Procedures to draw up the management declaration of assurance, report on the controls carried out and weaknesses identified, and the annual summary of final audits and controls.	***Key Requirement 8***	
3.47.	(8.1., 8.2., 8.3., 8.4.) Does the MA have adequate procedures in place -to draw up the management declaration of assurance (Article 125(4)(e)of Regulation (EU) No 1303/2013)? - to draw up the annual summary of final audit reports and controls referred to in Article 59 (5) (b) of the Financial Regulation, including an analysis of the nature and extent of the errors and weaknesses		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	identified in systems, as well as corrective action taken or planned (Article 125(4) (e) of Regulation (EU) No 1303/2013)?		
3.48	(8.2.) Is it ensured that the management declaration is based on the annual summary and drawn up in accordance with the model set out in the Commission Implementing Regulation?		
3.49.	(8.4.) Are there procedures ensuring that the annual summary and management declaration as well as all relevant supporting documentation and information are made available in due time (adequate internal deadlines) to the audit authority for the purpose of the audit authority' s assessment?		
3.50	(8.3.) Is adequate documentation of the work carried out in preparation of the annual summary and the management declaration foreseen:		
	a) to ensure that, before submission to the Certifying Authority, payment requests are checked to guarantee that information [to be included in the accounts] is properly presented, complete and accurate?		
	b) to ensure that, before submission to the Certifying Authority, payment requests are checked to confirm that they include only expenditure which is used for its intended purpose?		
	c) to ensure that control systems put in place give the necessary guarantees concerning the legality and regularity of underlying transactions? [see questions 3.51 to 3.61 related to some key points of the management and control system]		
3.51.	Are there procedures to ensure that an adequate staffing will be implemented for the programme, providing assurance about the effective functioning of the system?		
3.52.	Are there procedures to ensure that risks are managed in line with the provisions of internal rules (e.g. Risks Management manual)?		
3.53.	Are there procedures to ensure that irregularities are prevented, detected, reported and acted upon on a timely basis?		
3.54.	Are there procedures to ensure that system changes, exceptions to procedures, internal control weaknesses are applied or remedied properly in accordance with internal rules?		
3.55.	Are there procedures to ensure that the implementation of the programme is monitored on a regular basis mainly with respect to:		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	a) selection of (non-major) projects; b) preparation and submission of major projects; c) tendering and awarding of contracts; d) projects implementation.		
3.56.	Are there procedures to confirm the reliability of data relating to indicators, milestones and the progress of programme?		
3.57.	Are there procedures to ensure that effective and proportionate anti-fraud measures are in place and that the results of the measures are taken into account for the purpose of the management declaration?		
3.58.	Are there procedures to ensure that the results of management verifications are reported in the annual summary?		
3.59	Are there procedures to ensure that the results of management verifications are duly taken into account to conclude on the effective functioning of the control system put in place and the legality and regularity of underlying transactions?		
3.60.	(8.1.) Are there procedures to ensure that recommendations included in final audit reports issued by the relevant audit bodies (national and EU level) are followed-up and implemented?		
3.61.	(8.1) Are there procedures to ensure that action is taken as regards areas of weaknesses/problems identified by the controls carried out?		
	3.A.(ix) Procedures to ensure the provision to the beneficiary of a document setting out the conditions for support for each operation.	***Key Requirement 3***	
3.62.	(3.1.) Are there adequate procedures in place to ensure effective communication to beneficiaries of their rights and obligations? In particular, do these procedures adequately deal with: - the national eligibility rules laid down by the Member State for the programme, - the applicable Union rules on eligibility - the specific conditions concerning the products or services to be delivered under the operation, - the financing plan, the time-limit for execution, - the requirements concerning separate accounting or adequate accounting codes, - the information to be kept and communicated - the information and publicity obligations?		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
3.63.	(3.2.) Are there clear and unambiguous national eligibility rules laid down for the programme?		
3.64.	(3.3.) Is there a clear strategy to ensure that beneficiaries have access to the necessary information and receive an appropriate level of guidance (leaflets, booklets, seminars, workshops, web sites...).		
	B. Certifying Authority		
3.65.	(9.1., 9.6. and 10.2.) Is part of the management and control systems linked to management and control activities of the CA essentially similar to the previous programming period? If yes, mention which part and justify how this conclusion is reached. (See point 1.0 above)		
3.66.	(9.4., 9.6.) Have the procedures below mentioned been prepared in writing for use by staff of the CA and is there a formal procedure which controls the change, introduction or abandonment of procedures and their communication to staff? Are these procedures considered adequate? Has a reference been included on the training organised/foreseen on these procedures and any guidance issued (date/reference) ?		
3.67.	(9.4., 9.6.) Is the date of and reference of the procedures indicated?		
3.68.	(9.4., 9.6.) In case certain tasks have been delegated to Intermediate Bodies, is the manual also used by Intermediate Bodies? Has it been indicated how this will be communicated to them and followed up? (See also point 1.16)		
	3.B.(i) Procedures for certifying interim payments to the Commission	***Key Requirements 9, 10 and 13***	
3.69.	***(13.2., 13.3., 10.2.)*** Are there a flowchart and an adequate the procedure by which statements of expenditure are drawn up, verified and submitted to the Commission, including a procedure to ensure sending of the final application for interim payment by 31 July following the end of the previous accounting year ? Does it show the flow of expenditure declarations from beneficiaries to the CA and submission to the EC?		
3.70.	Is there a description of arrangements in place for the certifying authority to access any information on operations, necessary for the purpose of drawing up and submitting payment applications, including the		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	results of the management verification and all relevant audit;		
3.71.	***(9.4., 13.1., 13.2., 13.3., 13.4., 13.5. and 10.2.)*** Is there a description of the accounting system in computerised form to be set up and used as a basis for certification of expenditure to the Commission? a) Is it a centralised or decentralised system? b) If a decentralised system, is it described how aggregated data is forwarded to the CA? c) Are the accounting system and information system one system or separate systems? - If separate, has the link between both systems been described and how is it ensured that the information in the two systems is identical? (electronic link, reconciliation) d) Is the system already operational? If not, when will it be operational? e) Has the system already been used in the previous period or not? If yes, was it audited in the past and considered reliable?		
3.72.	***(13.2., 13.3., 10.2.)*** Is the level of detail of the accounting system indicated, including: a) Whether it shows total expenditure by Fund and priority? b) Whether it allows for traceability of the allocation of the available public funds? c) Whether it allows splitting payments made by beneficiaries to the year concerned?		
3.73.	***(13.2., 13.3., 10.2.)*** Is it a separate accounting system for ESIF operations or it is also used for other Funds transactions? - If not separate, does it identify ESIF transactions? (e.g. specific accounting codes)		
3.74.	***(13.2., 13.3., 10.2.)*** Are there adequate procedures in place to ensure that the certifying authority checks the accuracy of the payment requests?		
	3.B.(ii) Procedures for drawing up the accounts and certifying that they are true, complete and accurate and that the expenditure complies with [applicable	***Key Requirements 9, 11 and 13***	

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	Union and national rules] taking into account the results of all audits.		
3.75.	***(13.1., 13.4., 13.5.)***Are adequate procedures in place describing the accounting system to be set up and used as a basis for drawing up payment applications to the Commission (Article 126(d) of the CPR)? Is there a procedure in place ensuring that adequate accounting records of expenditure declared to the Commission and the corresponding public contribution paid to beneficiaries are maintained in computerised form ?		
3.76.	***(9.4., 11.1, 13.1., 13.4., 13.5.)*** Are there adequate arrangements for forwarding aggregated data to the certifying authority in case of decentralised system?		
3.77.	***(13.1., 13.4., 13.5.)*** Is there a clear link between the accounting system and the information system?		
3.78.	***(13.1., 13.4., 13.5.)*** In case of common system with other Funds, does the system allow identification of the ESIF transactions?		
3.79.	***(13.1., 13.4. 13.5.)*** Are there adequate procedures in place for timely drawing up the accounts and reporting them to the Commission as referred to in article 59(5) of the Financial Regulation (Article 126(b) of the CPR and 137(b))? There should be clear arrangements for certifying the completeness, accuracy and veracity of the accounts and that the expenditure entered in the accounts complies with applicable Union and national rules (Article 126(c) of the CPR) and take into account the results of all verifications and audits.		
3.80.	***(13.1., 13.4., 13.5.)*** How is it ensured that the drawing of the accounts takes into account the results of all audits?		
	3. B. (iii) Procedures for ensuring an adequate audit trail by maintaining accounting records including amounts recoverable, recovered and withdrawn for each operation in computerised form.	***Key Requirements 11 and 12***	
3.81.	**11.1., 11.2., 11.3., 12.1., 12.2.)** Is there a system for ensuring the recovery of Union assistance? Is it described? Is there a procedure in place, describing the system for ensuring the prompt recovery of public assistance,		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	including Union assistance?		
3.82.	**11.1., 11.2., 11.3., 12.1., 12.2.)** Are there adequate procedures for ensuring an adequate audit trail by maintaining accounting records in computerised form, including amounts recovered, to be recovered, withdrawn from a payment application, amounts irrecoverable and amounts related to operations suspended by a legal proceeding or by an administrative appeal having suspensory effect, for each operation, including the recoveries resulting from the application of Article 71 of the CPR on durability of operations. Is the system already operational and can reliable record the data mentioned above ?		
3.83.	**11.1., 11.2., 11.3., 12.1., 12.2.)** Are adequate arrangements made to deduct amounts recovered or amounts to be withdrawn from expenditure to be declared?		
3.84.	**(12.1., 12.2.)** Is there an adequate procedure in place to ensure that the certifying authority keeps an account of - amounts recoverable and - amounts withdrawn following cancellation of all or part of the contribution for an operation? as established by article 126(h) of the CPR. Does the procedure clearly state that amounts recovered shall be repaid prior to closure of the operational programme by deducting them from the next statement of expenditure?		
3.85.	**(11.1., 11.2., 11.3.)** Does the audit trail within the certifying authority allow reconciliation of the expenditure declared to the Commission with the expenditure statements received from the managing authority/intermediate bodies MA/IBs?		
3.86.	**(11.1., 11.2., 11.3., 12.1., 12.2.)** Does the CA have: - computerised systems capable of providing reliable and relevant information? - procedures to ensure maintenance of the system, data protection and data integrity?		
3.87	**(11.1., 11.2., 11.3., 12.1., 12.2.)** Does the procedure ensure that IT systems security is ensured, taking into account internationally accepted standards[13]?		

[13] 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

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
3.88.	**(11.1., 11.2., 11.3., 12.1., 12.2.)** Are the necessary arrangements described to: a) Maintain a debtor's ledger? b) Deduct amounts recovered or amounts to be withdrawn from expenditure to be declared?		
	3.B.(iv) Procedures, where appropriate, to ensure that it receives adequate information from the managing authority on the verifications carried out, and the results of the audits carried out by or under the responsibility of the audit authority	***Key Requirements 4, 9 and 10***	
3.89.	(4.5., 9.4., 10.1. a) and b)) Are there adequate procedures in place specifying the information the CA requires on the procedures operated by the managing authority and by the intermediate bodies for the verification of expenditure? Has the CA put in place agreed procedures with the managing authority to ensure that it receives it on a regular and timely basis?		
3.90.	(4.5., 9.4., 10.1. c)) Are there adequate procedures in place to review the reports drawn up by the managing authority or the intermediate bodies on the progress of implementation, including a review of the verifications carried out pursuant to Article 125 (5) of CPR (all reviews should be documented)?		
3.91.	(4.5., 9.4., 10.1. d)) Are there adequate procedures in place, where appropriate, to ensure that the certifying authority receives adequate information from the managing authority on the verifications carried out, and the results of the audits carried out by or under the responsibility of the audit authority?		
3.92.	(4.5., 9.4., 10.1. e)) Are there adequate procedures in place to ensure that the results of these examinations are properly taken into account in reaching a conclusion as to whether there is a sufficient basis for certifying that the expenditure being certified is legal and regular?		
	Conclusion:	Adequate / not adequate	

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 IAB may also take into consideration any related national standards.

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts

4. Monitoring – Annex XIII CPR, point 4

	4.A. ***Managing Authority***		
4.0.	(1.1., 1.5. and 10.2.) Is a part of the management and control systems linked to the monitoring activities of the MA essentially similar to the previous programming period? If yes, mention which part and justify how this conclusion is reached. (See point 1.0).		
4.1.	Has a procedure of the MA been described, where applicable, in relation to the scope, rules and procedures concerning the effective arrangements set out by the Member State for the examination of complaints concerning the ESI Funds, in the context of Article 74(3) of Regulation (EU) No 1303/2013?		
	4.A.(i) Procedures to support the work of the monitoring committee	***Key Requirement 6***	
4.2.	(6.1., 6.2.) Does the MA have adequate procedures to support the work of the monitoring committee? Have such procedures been adequately disseminated to all staff concerned?		
4.3.	(6.1., 6.2.) Are there procedures to ensure that action is taken as regards areas of weaknesses/problems identified by the Monitoring Committee?		
4.4.	(6.1., 6.2.) Does the MA have adequate procedure to carry out regular reporting on the project implementation compared to implementation plan and on the evaluations according to the Art. 56 and 57 of the Regulation 1303/2013 ?		
	4.A.(ii) Procedures to draw up and submit to the Commission annual and final implementation reports.	***Key Requirement 6***	
4.5.	(6.1., 6.2.) Does the MA have adequate procedures in place to draw up and submit to the Commission annual and final implementation reports? Have such procedures been adequately disseminated to all staff concerned?		
4.6.	(6.1., 6.2.) Do the procedure include procedures for collection and reporting reliable data on performance indicators (Art 125 (2)(a) of CPR)		

N°	Question	Y/ N/ n.a.	File reference, observation, comments, facts
	4.B. *Certifying Authority*		
4.7.	(9.1., 9.5. and 10.2.) Is a part of the management and control systems linked to the monitoring activities of the CA essentially similar to the previous programming period? If yes, mention which part and justify how this conclusion is reached. (See point 1.0).		
4.8.	Has a procedure been described covering the scope, rules and procedures concerning the effective arrangements set out by the Member State for the examination of complaints concerning the ESI Funds, in the context of Article 74(3) of Regulation (EU) No 1303/2013?		
	4.B.(i) Procedures on the fulfilment of its responsibilities for monitoring the results of the management verifications and the results of the audits carried out by or under the responsibility of the audit authority before submitting payment applications to the Commission.	***Key Requirements 4 and 10***	
4.9.	(10.1., 4.5.) Does the CA have adequate procedures to monitor, before submitting payment applications to the Commission: a) the results of the management verifications and b) the results of the audits carried out by or under the responsibility of the audit authority		
4.10.	(10.1., 4.5.) Have such procedures been adequately disseminated to all staff concerned?		
	Conclusion:	Adequate / not adequate	

5. Result of the assessment of the IAB

Guidance

The managing authority and the certifying authority should seek to resolve all outstanding issues to enable the independent audit body to provide an unqualified opinion. The independent audit body will need to exercise professional judgement in order to assess the results and the seriousness of any shortcomings identified in order to provide an appropriate audit opinion. The following guidance may be taken into account:

- Non-compliance with one or more designation criteria relating to key requirements of the system should lead to either a qualified or an adverse opinion.
- In case of partial compliance with one or more designation criteria relating to key requirements of the system, the seriousness and extent of these shortcomings should be assessed by the independent audit body, which will decide whether a qualified opinion or an adverse opinion has to be formulated.

  An adverse opinion should be issued where the independent audit body considers that the number and seriousness of shortcomings with regard to the key requirements of the management and control systems result in wide-ranging non-compliance with the requirements of the CPR and in particular Articles 72, 125 and 126.

In accordance with internationally accepted auditing standards, the independent audit body may, without qualifying its opinion, include an emphasis of matter paragraph in its audit opinion.

Where the independent audit body's opinion on the managing and or certifying authority is:

- Adverse or qualified, the Member State should not designate that body.
- Unqualified, the Member State should designate the body/ies.

Computerised accounting and information system

Article 32 of the Commission Delegated Regulation No 480/2014, concerning data to be recorded and stored in computerised form, shall apply either from 1 December 2014 or from 1 July 2015 as regards information on data recorded and stored referred to in Annex III of the CDR. Therefore, the opinion of the independent audit body, if issued before 1 December 2014, may be unqualified even if the computerised accounting and information system is not fully set-up at the time the audit opinion on designation is being issued. However, in this case, an emphasis of matter paragraph should be included in the independent audit body's opinion. The setup of the IT system should be followed up by the body responsible for monitoring the designation.

Summary table of the IAB

The findings identified in the present checklist are to be summarised in the table below and serve as a primary source of information for the IAB when issuing its opinion on each body. This table is part of the report of the IAB.

CCI or system (group of CCIs)	Concerned Authority(Managing or Certifying authority)	Completeness and accuracy of description (Y/N)	Conclusion (unqualified, qualified, adverse)	Designation criteria affected	Section of description of functions and procedures affected	Shortcomings	Priorities affected	Recommendations/ Corrective measures	Timeframe agreed with concerned authority for implementation of corrective measures
CCI x	Managing authority								
	Certifying authority								
System y	Managing authority								
	Certifying authority								

- ***Appendix 1 to Annex 3 – Extract of Article 125 of the CPR – Functions of the Managing Authority***

The following extract of Article 125 of the CPR is relevant to point 3. of the present checklist, "Management and Control Activities" – Annex XIII. a) to CPR Regulation, point 3.

"1. The managing authority shall be responsible for managing the operational programme in accordance with the principle of sound financial management.

2. As regards the management of the operational programme, the managing authority shall:

(a) support the work of the monitoring committee referred to in Article 41 and provide it with the information it requires to carry out its tasks, in particular data relating to the progress of the operational programme in achieving its objectives, financial data and data relating to indicators and milestones;

(b) draw up and, after approval by the monitoring committee, submit to the Commission annual and final implementation reports referred to in Article 44;

(c) make available to intermediate bodies and beneficiaries information that is relevant to the execution of their tasks and the implementation of operations respectively;

(d) establish a system to record and store in computerised form data on each operation necessary for monitoring, evaluation, financial management, verification and audit, including data on individual participants in operations, where applicable;

(e) ensure that the data referred to in point (d) is collected, entered and stored in the system, and that data on indicators is broken down by gender where required by Annex I of the ESF Regulation.

3. As regards the selection of operations, the managing authority shall:

(a) draw up and, once approved, apply appropriate selection procedures and criteria that:

(i) ensure the contribution of operations to the achievement of the specific objectives and results of the relevant priority;

(i) are non-discriminatory and transparent;

(ii) take into account the general principles set out in Articles 7 and 8;

(b) ensure that a selected operation falls within the scope of the Fund or Funds concerned and can be attributed to a category of intervention or, in the case of the EMFF, a measure identified in the priority or priorities of the operational programme;

(c) ensure that the beneficiary is provided with a document setting out the conditions for support for each operation including the specific requirements concerning the products or services to be delivered under the operation, the financing plan, and the time-limit for execution;

(d) satisfy itself that the beneficiary has the administrative, financial and operational capacity to fulfil the conditions defined in point (c) before approval of the operation;

(e) satisfy itself that, where the operation has started before the submission of an application for funding to the managing authority, applicable law relevant for the operation have been complied with;

(f) ensure that operations selected for support from the Funds or the EMFF do not include activities which were part of an operation which has been or should have been subject to a procedure of recovery in accordance with Article 61 following the relocation of a productive activity outside the programme area;

(g) determine the categories of intervention or, in the case of the EMFF, the measures to which the expenditure of an operation shall be attributed.

4. As regards the financial management and control of the operational programme, the managing authority shall:

(a) verify that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the operational programme and the conditions for support of the operation;

(b) ensure that beneficiaries involved in the implementation of operations reimbursed on the basis of eligible costs actually incurred maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation;

(c) put in place effective and proportionate anti-fraud measures taking into account the risks identified;

(d) set up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 72(g);

(e) draw up the management declaration and annual summary referred to in Article 59 (5) (a) and (b) of the Financial Regulation.

By way of derogation from point (a), the ETC Regulation may establish specific rules on verifications for cooperation programmes.

5. Verifications pursuant to paragraph 4(a) shall include the following procedures:

(a) administrative verifications in respect of each application for reimbursement by beneficiaries;
(b) on-the-spot verifications of operations.

The frequency and coverage of the on-the-spot verifications shall be proportionate to the amount of public support to an operation and to the level of risk identified by these verifications and audits by the audit authority for the management and control system as a whole.

6. On-the-spot verifications of individual operations pursuant to paragraph (5)(b) may be carried out on a sample basis.

7. Where the managing authority is also a beneficiary under the operational programme, arrangements for the verifications referred to in paragraph 4(a) shall ensure adequate separation of functions.

(…)"

- ***Appendix 2 to Annex 3 – Extract of Article 126 of the CPR – Functions of the Certifying Authority***

The following extract of Article 126 of the CPR is relevant to point 3. of the present checklist, "Management and Control Activities" – Annex XIII. to CPR Regulation, point 3.

"The certifying authority of an operational programme shall be responsible in particular for:

(a) drawing up and submitting to the Commission payment applications and certifying that these result from reliable accounting systems, are based on verifiable supporting documents and have been subject to verifications by the managing authority;

(b) drawing up the accounts referred to in Article 59(5)(a) of the Financial Regulation;

(c) certifying the completeness, accuracy and veracity of the accounts and that the expenditure entered in the accounts complies with applicable law and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the operational programme and complying with applicable law;

(d) ensuring that there is a system which records and stores, in computerised form, accounting records for each operation, and which supports all the data required for drawing up payment applications and accounts, including records of amounts recoverable, amounts recovered and amounts withdrawn following cancellation of all or part of the contribution for an operation or operational programme;

(e) ensuring, for the purposes of drawing up and submission of payment applications, that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure;

(f) taking account when drawing up and submitting payment applications of the results of all audits carried out by, or under the responsibility of, the audit authority;

(g) maintaining accounting records in a computerised form of expenditure declared to the Commission and the corresponding public contribution paid to beneficiaries;

(h) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the Union prior to the closure of the operational programme by deducting them from the next statement of expenditure."

ANNEX 4: TABLE LINKING THE DESIGNATION CRITERIA AND THE RELATED KEY REQUIREMENTS

Body	***KR/AC***	***Related designation criteria (Annex XIII CPR)***
MA	**KR1**	
MA	1.1	1. (i) / 1. (ii)
MA	1.2	1. (iv)
MA	1.3	1. (i)
MA	1.4	1. (ii) / 3. A.
MA	1.5	1. (ii)
MA	1.6	
MA	**KR 2**	
MA	2.1	3 . A (i)
MA	2.2	3 . A (i)
MA	2.3	3 . A (i)
MA	2.4	3 . A (i)
MA	2.5	3 . A (i)
MA	**KR 3**	
MA	3.1	3.A.(v) / 3.A.(ix)
MA	3.2	3.A.(ix)
MA	3.3	3.A.(ix)
MA	**KR 4**	
MA	4.1	3. A. (ii) and (iii)
MA	4.2	3. A. (ii)
MA	4.3	3. A. (i) / 3.A.(ii) / 3. A. (iii) / 3.A.(v)
MA	4.4	3.A.(ii) / 3. A. (vii)
MA	4.5	3.A.(ii) / 3. B. (iv) / 4.B.
MA	**KR 5**	
MA	5.1	3.A.(iv) / 3.A.(vii)
MA	5.2	3.A.(iv) / 3.A(vii)
MA	5.3	3.A (vii)
MA	**KR 6**	
MA	6.1	3.A (iv) and 4 . A (i) / and (ii)
MA	6.2	3.A (iv) and (vii) and 4 . A (i) / and (ii)
MA	6.3	3.A (iv)
MA	**KR 7**	
MA	7.1	3. A. (vi)
MA	7.2	3. A. (vi)
MA	7.3	3. A. (vi)
MA	7.4	3. A. (vi)
MA	7.5	3. A. (vi)
MA	7.6	3. A. (vi)
MA	7.7	3. A. (vi)

Body	*KR/AC*	*Related designation criteria (Annex XIII CPR)*
MA	**KR 8**	
MA	8.1	3. A (viii)
MA	8.2	3. A (viii)
MA	8.3	3. A (viii)
MA	8.4	3. A (viii)
CA	**KR 9**	
CA	9.1	1. (i) / 1. (ii)
CA	9.2	1. (iv)
CA	9.3	1. (i)
CA	9.4	1. (ii) / 3. B.
CA	9.5	1.(ii)
CA	9.6	
CA	**KR 10**	
CA	10.1	3.B.(iv) / 4.B.
CA	10.2	1. (ii) / 3 / B. (i)
CA	**KR 11**	
CA	11.1	3.B. (iii)
CA	11.2	3.B. (iii)
CA	11.3	3.B. (iii)
CA	**KR 12**	
	12.1.	3.B. (iii)
	12.2	3.B. (iii)
CA	**KR 13**	
CA	13.1	3.B. (ii)
CA	13.2	3.B. (i) / 3.B.(ii)
CA	13.3	3.B. (ii)
CA	13.4	3.B. (ii)
CA	13.5	3.B. (ii)
AA	**KR 14**	n.a.
AA	**KR 15**	n.a.
AA	**KR 16**	n.a.
AA	**KR 17**	n.a.
AA	**KR 18**	n.a.

ANNEX 5: TABLE LINKING THE MODEL DESCRIPTION (ANNEX III CIR) WITH THE DESIGNATION CRITERIA AND THE RELEVANT QUESTIONS IN THE CHECKLIST (ANNEX 3)

Model description (Annex III CIR)	**Designation criteria (Annex XIII CPR)**	**Most relevant questions in the check list in Annex 3 to this guidance**
1. GENERAL	-	
1.1. Information submitted by:	-	**0.1**
• Name of MS		**0.2**
• Title of the programme and CCI (all operational programmes covered by the MA/CA), in case of common MCS		**0.2.**
• Name of main contact point, including e-mail (body responsible for the description)		**0.2**
1.2. The information provided describes the situation on: (dd/mm/yy)	-	**0.2**
1.3. System structure (general information and flowchart showing the organisational relationship between the authorities/bodies involved in the management and control system	1. (i), 1 (ii)	**1.2**
1.3.1. Managing authority (Name, address and contact point in the managing authority): Indicate whether the managing authority is also designated as the certifying authority, in accordance with Article 123(3) of Regulation (EU) No 1303/2013.	1. (i)	**0.2**
1.3.2. Certifying authority (Name, address and contact point in the certifying authority)	1. (i)	**0.2**
1.3.3. Intermediate bodies (Name, address and contact points in the intermediate bodies).	1. (i), 1. (ii)	**0.2**
1.3.4. When Article 123(5) of Regulation (EU) No 1303/2013 applies, indicate how the principle of separation of functions between the audit authority and the managing/certifying authorities is ensured.	1. (i)	**0.2**
2. MANAGING AUTHORITY		

Model description (Annex III CIR)	Designation criteria (Annex XIII CPR)	Most relevant questions in the check list in Annex 3 to this guidance
2.1. Managing authority and its main functions		
2.1.1. The status of the managing authority (national, regional or local public body or private body) and the body of which it is part[14].		**0.2**
2.1.2. Specification of the functions and tasks carried out directly by the managing authority. Where the managing authority also carries out in addition the functions of the certifying authority, description of how separation of functions is ensured.	1. (i),	**1.1, 1.5, 1.7, 3.29, 3.22**
2.1.3. Specification of the functions formally delegated by the managing authority, identification of the intermediate bodies and the form of the delegation (underlying that the managing authorities maintains the full responsibility for the delegated functions), under Article 123(6) and (7) of Regulation (EU) No 1303/2013. Reference to relevant documents (legal acts with empowerments, agreements). Where applicable, specifications of the functions of the controllers foreseen in Article 23(4) of Regulation (EU) 1299/2013, for European territorial cooperation programmes.	**1(i), 1(ii)**	**1.1, 1.9, 1.12, 1.13, 1.15, 3.3, 3.68**
2.1.4 Description of the procedures for ensuring effective and proportionate anti-fraud measures taking account of the risks identified, including reference to the risk assessment carried out (Article 125(4)(c) of Regulation (EU) No 1303/2013).	**3.A.(vi)**	**1.18, 1.20, 2.4, 3.32, 3.33, 3.34-3.40, 3.56**
2.2. Organisation and procedures of the managing authority		
2.2.1. Organisation chart and specifications of the functions of the units (including the plan for allocation of appropriate human resources with the necessary skills). This information also covers the intermediate bodies to which some functions have been delegated.	**1.(i), 1.(ii), 1.(iv)**	**1.1, 1.3, 1.4, 1.2, 1.5, 1.6, 1.7, 1.9, 1.12, 1.13, 1.14, 1.15,**
2.2.2. Framework to ensure that an appropriate risk management exercise is conducted when necessary, and in particular in the event of major modifications to the activities (=management and control system).	**2**	**2.0-2.4**
2.2.3. Description of the following procedures (that should be provided in writing to the staff of the managing authority and	**3.A**	**3.1**

[14] See Article 123(§ 1 and §3) of the CPR.

Model description (Annex III CIR)	Designation criteria (Annex XIII CPR)	Most relevant questions in the check list in Annex 3 to this guidance
intermediate bodies; date and reference):		
2.2.3.1. Procedures to support the work of the monitoring committee.	**4.A, 4.B**	**3.10, 3.24, 4.0, 4.2, 4.3, 4.4**
2.2.3.2. Procedures for a system to collect, record and store in computerised form data on each operation necessary for monitoring, evaluation, financial management, verification and audit, including, where applicable, data on individual participants and a breakdown of data on indicators by gender when required.	**3.A.(iv)**	**3.23-3.30**
2.2.3.3 Procedures for the supervision of the functions formally delegated by the managing authority under Article 123(6) and (7) of Regulation (EU) No 1303/2013.	**1.(ii)**	**1.13**
2.2.3.4. Procedures for appraising, selecting and approving operations and for ensuring their compliance, for the entire implementation period, with applicable rules (Article 125(3) of Regulation (EU) No 1303/2013), including instructions and guidance ensuring the contribution of operations to achieving the specific objectives and results of the relevant priorities in accordance with the provisions of Article 125(3)(a)(i) of Regulation (EU) No 1303/2013 and procedures to ensure that operations are not selected where they have been physically completed or fully implemented before the application for funding by the beneficiary (including the procedures used by the intermediate bodies where the appraisal, selection and approval of operations have been delegated).	**3.A.(i)**	**3.4-3.21**
2.2.3.5. Procedures to ensure the provision to the beneficiary of a document setting out the conditions for support for each operation, including procedures to ensure that beneficiaries maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation.	**3.A.(i), 3.A.(ix)**	**3.6, 3.62-3.64**
2.2.3.6. Procedures for the verifications of operations (in line with requirements under Article 125(4) to (7) of Regulation (EU) No 1303/2013), including for ensuring the compliance of operations with the Union policies (such as those related to partnership and multi-level governance, promotion of equality between men and women, non-discrimination, accessibility for persons with disabilities, sustainable development, public procurement, State aid and environment rules), and identification of the authorities or bodies carrying out such verifications. The description shall cover administrative management verifications in respect of each application for reimbursement by beneficiaries and on-the-spot management verifications of operations, that may be carried out on a sample basis. Where the management	**1.(ii), 3.A.(i), 3.A.(ii)**	**3.4, 3.12-3.21**

Model description (Annex III CIR)	Designation criteria (Annex XIII CPR)	Most relevant questions in the check list in Annex 3 to this guidance
verifications have been delegated to intermediate bodies, the description should include the procedures applied by the intermediate bodies for those verifications and the procedures applied by the managing authority to supervise the effectiveness of the functions delegated to the intermediate bodies. The frequency and coverage shall be proportionate to the amount of public support to an operation and to the level of risk identified by these verifications and audits by the audit authority for the management and control system as a whole.		
2.2.3.7. Description of the procedures by which applications for reimbursement are received from beneficiaries, verified, and validated, and by which payments to beneficiaries are authorised, executed and accounted for, in line with obligations set out in Article 122(3) of Regulation (EU) No 1303/2013 as from 2016 (including the procedures used by the intermediate bodies where processing of applications for reimbursement has been delegated), in view of respecting the deadline of 90 days for payments to beneficiaries under Article 132 of Regulation (EU) No 1303/2013.	**3.A.(iii),**	**3.12, 3.22**
2.2.3.8. Identification of the authorities or bodies carrying out each step in the processing of the application for reimbursement, including a flowchart indicating all bodies involved.	**1.(i), 3.A.(vii)**	**3.22**
2.2.3.9. Description of how information is transmitted to the certifying authority by the managing authority, including information on deficiencies and/or irregularities (including suspected and established fraud) detected and their follow-up in the context of management verifications, audits and controls by Union or national bodies.	**1.(iii), 3.A.(viii)**	**3.22**
2.2.3.10. 'Description of how information is transmitted to the audit authority by the managing authority, including information on deficiencies and/or irregularities (including suspected and established fraud) detected and their follow-up in the context of management verifications, audits and controls by Union or national bodies.	**3.A.(ii),**	**3.21, 3.39, 3.49**
2.2.3.11. Reference to national eligibility rules laid down by the Member State and applicable to the operational programme.	**3.A.(ii), 3.A.(ix)**	**3.62, 3.63**
2.2.3.12. Procedures to draw up and submit to the Commission annual and final implementation reports (Article 125(2)(b) of Regulation (EU) No 1303/2013), including the procedures for collecting and reporting reliable data on performance indicators (Article 125(2)(a) of Regulation (EU) No 1303/2013).	**4.A.(ii)**	**4.4, 4.5**

Model description (Annex III CIR)	Designation criteria (Annex XIII CPR)	Most relevant questions in the check list in Annex 3 to this guidance
2.2.3.13. Procedures for drawing up the management declaration (Article 125(4)(e) of Regulation (EU) No 1303/2013).	**3.A.(viii)**	**3.47-3.50**
2.2.3.14. Procedures for drawing up the 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 (Article 125(4)(e) of Regulation (EU) No 1303/2013).	**3.A.(viii)**	**3.47-3.50**
2.2.3.15. Procedures concerning the communication to staff of the above procedures, as well as an indication of training organised / foreseen and any guidance issued (date and reference).	**3.A, 3.B**	**3.1, 3.66**
2.2.3.16 Description, where applicable, of the procedures of the managing authority in relation to the scope, rules and procedures concerning the effective arrangements set out by the Member State[15] for the examination of complaints concerning the ESI Funds, in the context of Article 74(3) of Regulation (EU) No 1303/2013.	**4.A.**	**4.1**
2.3. Audit trail		
2.3.1. Procedures to ensure an adequate audit trail and archiving system, including with respect to the security of data, taking account of Article 122(3) of Regulation (EU) No 1303/2013, in accordance with national rules on the certification of conformity of documents (Article 125(4)(d) of Regulation (EU) No 1303/2013 and Article 25 of Commission Delegated (EU) No 480/2014).	**3.A.(vi), 3.A.(vii)**	**3.26, 3.41-3.46**
2.3.2. Instructions given on keeping supporting documents available by beneficiaries/intermediate bodies/managing authority (date and reference):	**3.A.(vii)**	**3.43**
2.3.2.1. Indication of the period during which documents are to be held.	**3.A.(vii)**	**3.43**
2.3.2.2. Format in which the documents are to be held.	**3.A.(vii)**	**3.43**
2.4. Irregularities and recoveries	**1.(iii)**	
2.4.1. Description of the procedure (that should be provided in writing to the staff of the managing authority and intermediate bodies: date and reference) on reporting and correction of	**1.(iii)**	**1.18-1.21**

[15] Reference to the document or national legislation where these effective arrangements have been set out by the Member State.

Model description (Annex III CIR)	Designation criteria (Annex XIII CPR)	Most relevant questions in the check list in Annex 3 to this guidance
irregularities (including fraud) and their follow-up and recording of amounts withdrawn and recovered, amounts to be recovered, irrecoverable amounts and amounts related to operations suspended by a legal proceeding or by an administrative appeal having suspensory effect.		
2.4.2. Description of the procedure (including a flowchart setting out the reporting lines) to comply with the obligation to notify irregularities to the Commission in accordance with Article 122(2) of Regulation (EU) No 1303/2013.	**1.(iii)**	**1.18**
3. CERTIFYING AUTHORITY		
3.1. Certifying authority and its main functions		
3.1.1 The status of the certifying authority (national, regional or local public body) and the body of which it is part.	**-**	**0.2**
3.1.2. Specification of the functions carried out by the certifying authority. Where the managing authority also carries out in addition the functions of the certifying authority, description of how separation of functions is ensured (see 2.1.2).	**1.(i)**	**1.1, 1.2**
3.1.3. Functions formally delegated by the certifying authority, identification of the intermediate bodies and the form of the delegation under Article 123(6) of Regulation (EU) No 1303/2013. Reference to relevant documents (legal acts with empowerments, agreements). Description of the procedures used by the intermediate bodies to carry out delegated tasks, and of the procedures of the certifying authority to supervise the effectiveness of the tasks delegated to the intermediate bodies.	**1.((ii)**	**1.2, 1.9-1.17**
3.2. Organisation of the certifying authority		
3.2.1. Organisation chart and specification of the functions of the units (including plan for allocation of appropriate human resources with necessary skills). This information also covers the intermediate bodies to which some tasks have been delegated).	**1.(i), 1.(ii), 1.(iv)**	**1.1, 1.2, 1.24-1.31**
3.2.2. Description of the procedures to be provided in writing to the staff of the certifying authority and intermediate bodies (date and reference):	**3.B**	**3.66-3.68**
3.2.2.1. Procedures for drawing up and submitting payment applications:	**3.B.(iv)**	**3.21, 3.69, 3.70**

Model description (Annex III CIR)	**Designation criteria (Annex XIII CPR)**	**Most relevant questions in the check list in Annex 3 to this guidance**
○ Description of arrangements in place for the certifying authority to access any information on operations, necessary for the purpose of drawing up and submitting payment applications, including the results of management verifications (in line with Article125 of Regulation (EU) No 1303/2013) and all relevant audits. – Description of the procedure by which payment applications are drawn up and submitted to the Commission, including procedure to ensure sending of the final application for interim payment by 31 July following the end of the previous accounting year.		
3.2.2.2. Description of the accounting system used as a basis for certification of expenditure and accounts to the Commission (Article 126(d) of Regulation (EU) No 1303/2013): – arrangements for forwarding aggregated data to the certifying authority in case of a decentralised system, – the link between the accounting system and the information system described under paragraph 4.1, – identification of European Structural and Investment Fund transactions in case of a common system with other Funds.	**3.B.(iii)**	**3.71, 3.72, 3.73, 3.76, 3.77**
3.2.2.3. Description of the procedures in place for drawing up the accounts referred to in Article 59(5) of Regulation (EU, Euratom) No 966/2012 (Article 126(b) of Regulation (EU) No 1303/2013) Arrangements for certifying the completeness, accuracy and veracity of the accounts and that the expenditure entered in the accounts complies with applicable law (Article 126(c) of Regulation (EU) No 1303/2013) taking into account the results of all verifications and audits.	**3.B.(ii)**	**3.75-3.80**
3.2.2.4 Description, where applicable, of the procedures of the certifying authority in relation to the scope, rules and procedures concerning the effective arrangements set out by the Member State[16] for the examination of complaints concerning the ESI Funds, in the context of Article 74(3) of Regulation (EU) No 1303/2013.	**4.B.**	**4.8**

[16] Reference to the document or national legislation where these effective arrangements have been set out by the Member State.

Model description (Annex III CIR)	Designation criteria (Annex XIII CPR)	Most relevant questions in the check list in Annex 3 to this guidance
3.3. Recoveries		
3.3.1. Description of the system for ensuring prompt recovery of public assistance, including Union assistance.	**3.B.(iii)**	**3.81**
3.3.2 Procedures for ensuring an adequate audit trail by maintaining accounting records in computerised form, including amounts recovered, amounts to be recovered, amounts withdrawn from a payment application, amounts irrecoverable and amounts related to operations suspended by a legal proceeding or by an administrative appeal having suspensory effect, for each operation, including the recoveries resulting from the application of Article 71 of Regulation (EU) No 1303/2013 on durability of operations.	**3.B.(iii)**	**3.82**
3.3.3. Arrangements for deducting amounts recovered or amounts to be withdrawn from expenditure to be declared.	**3.B.(iii)**	**3.84, 3.88**
4. INFORMATION SYSTEM	**-**	
4.1. Description of the information systems including a flowchart (central or common network system or decentralised system with links between the systems) for:		
4.1.1. Collecting, recording and storing, in a computerised form data on each operation, including where appropriate data on individual participants and a breakdown of data on indicators by gender when required, necessary for monitoring, evaluation, financial management, verification and audit, as required by Article 125(2)(d) of Regulation (EU) No 1303/2013 and by Article 24 of Commission Delegated Regulation 480/2014.	**3.A.(iv),**	**3.24, 3.25**
4.1.2. Ensuring that the data referred to in the previous point is collected, entered and stored in the system, and that data on indicators is broken down by gender where required by Annexes I and II to Regulation (EU) No 1304/2013, as required by Article 125(2)(e) of Regulation (EU) No 1303/2013.	**3.A.(iv),**	**3.24, 3.25**
4.1.3. Ensuring that there is a system which records and stores, in computerised form, accounting records for each operation, and which supports all the data required for drawing up payment applications and accounts, including records of amounts to be recovered, amounts recovered, amounts irrecoverable and amounts withdrawn following cancellation of all or part of the contribution for an operation or operational programme, as set out in Article 126(d) and 137(b) of Regulation (EU) No 1303/2013;	**3.B.(ii), 3.B.(iii)**	**1.22, 3.46, 3.75-3.79, 3.81-3.85**
4.1.4. Maintaining accounting records in a computerised form of expenditure declared to the Commission and the corresponding public contribution paid to beneficiaries, as set out in Article	**3.B.(ii), 3.B.(iii)**	**3.75, 3.82**

Model description (Annex III CIR)	**Designation criteria (Annex XIII CPR)**	**Most relevant questions in the check list in Annex 3 to this guidance**
126(g) of Regulation (EU) No 1303/2013.		
4.1.5. Keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation, as set out in Article 126(h) of Regulation (EU) No 1303/2013.	**3.B.(iii)**	**3.83, 3.84**
4.1.6. Keeping records of amounts related to operations suspended by a legal proceeding or by an administrative appeal having suspensory effects.	**3.B(iii)**	**3.82**
4.1.7. Indication as to whether the systems are operational and can reliably record the data mentioned above.	**3.A.(iv)**	**3.30**
4.2. Description of the procedures to verify that IT systems security is ensured.	**3.A.(iv)**	**3.26**
4.3 Description of the current situation as regards implementation of the requirements of Art 122(3) of Regulation (EU) No 1303/2013.	**3.A.(iii), 3.A(iv), 3.B.(iii)**	**3.22**

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N.º 01/AD&C/2015 - Data: 2015/02/13

Anexo 3

Guidance for Member States on Management verifications (EGESIF_14-0012, de 6/1/2015)

EGESIF_14-0012

6/1/2015

EUROPEAN COMMISSION

European Structural and Investment Funds

Guidance for Member States on Management verifications

Programming period 2014-2020

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 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.*

LIST OF ACRONYMS AND ABREVIATIONS

AA	Audit Authority
CA	Certifying Authority
CPR	Common Provisions Regulation (Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17.12.2013[1]
"ESIF"	ESIF means all European Structural and Investment Funds. This guidance applies to all 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 17.12.2013)
IB	Intermediate Body
i.a.	*inter alia* (among others)
JTS	Joint Technical Secretariat (for ETC programmes)
MA	Managing Authority
Management verifications	Verifications pursuant to Article 125(4a) of the CPR, including administrative verifications in respect of each application for reimbursement by beneficiaries and on-the-spot verifications of operations, as set out in Article 125(5) of the CPR.
MCS	Management and Control System

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

Table of content

I. BACKGROUND

1. Regulatory references

Regulation	Articles
Reg. (EU) No 1303/2013 Common Provisions Regulation *(hereafter CPR)*	Article 125 (4, 5 and 7)- Functions of the managing authority
Reg. (EU) No 1299/2013 European Territorial Cooperation (*hereafter ETC*)	Article 23 - Functions of the managing authority

Article 125(4)(a) CPR requires the MA to verify that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the operational programme and the conditions for support of the operation.

Pursuant to Article 125(5) CPR the verifications shall include administrative verifications in respect of each application for reimbursement by beneficiaries and on-the-spot verifications of operations.

Pursuant to Article 125(7) CPR, where the MA is also a beneficiary under the operational programme, arrangements for the verifications (referred to in point (a) of the first subparagraph of paragraph 4 of this Article) shall ensure adequate separation of functions.

Article 23(1) ETC Regulation states that the MA of a cooperation programme shall carry out the functions laid down in Article 125(4) CPR. The specificities relating to verifications in ETC programmes are covered by Article 23 (§3 and §5) ETC Regulation.

2. Purpose of the guidance

The objective of this document is to provide guidance on certain practical aspects of the application of Article 125(5) CPR and Article 23 ETC Regulation. It is intended to serve as a reference document for the Member States for the implementation of those Articles. This guidance is applicable to the ESIF. Member States are recommended to follow the guidance, taking account of their own organisational structures and control arrangements. The guidance provides a number of best practices that can be implemented by MA taking into account specificities of each MCS. Commission audits carried out in the 2000 – 2006 and 2007-2013 periods have shown the potential benefits of such a document.

The guidance covers the regulatory requirements, general principles and purpose of verifications, the bodies responsible for carrying them out, the timing, scope and intensity of the verifications, the organisation of on-the-spot verifications, the requirement to document the work and outsourcing. More detailed examples of good practice are given in several specific areas, namely public procurement and aid schemes, which have sometimes been problematic in Member States. It also

includes information on management verifications in the areas of financial instruments, revenue generating projects and ETC. Issues regarding durability of operations, equality and non-discrimination and the environment have also been covered.

Due to the wide variations in terms of organisational structures between Member States, it is not possible to cover every situation in this document. Management verifications are a responsibility of the MA, which has the possibility of delegating tasks to IBs. Accordingly, where reference is made to MA in the note, this may be taken to apply to IBs where some or all of the management verification tasks have been delegated by the MA.

In pursuance of the administrative burden reduction for beneficiaries of the ESIF, it is necessary to emphasise that exchanges of information between beneficiaries and MA, CA, AA and IBs can be carried out by means of electronic data exchange systems. The rules in the legislative package 2014-2020 linked to e-cohesion initiative are formulated in a way to enable Member States and regions to find solutions according to their organisational and institutional structure and particular needs while defining uniform minimum requirements.

II. GUIDANCE

1. Main issues in management verifications

The document provides guidance on particular aspects of management verifications. Practices that are considered to represent particularly good elements of control systems as regards verifications are highlighted in boxes as examples of 'best practice'.

1.1. Management verifications - general principles and purpose

Management verifications are part of the internal control[4] system of any well managed organisation. They are the normal day to day controls made by management within an organisation to ensure that the processes for which it is responsible are being properly carried out.

A simple example of one such verification in a typical organisation would be to compare goods actually delivered to the related purchase order in terms of quantity of goods, price and condition. This verification ensures that the actual quantity of goods ordered have been received at the agreed price and are of the desired quality.

With more complex processes, the scope of the verifications will obviously increase and might include verifying compliance with relevant rules and regulations. However, the principle remains the same, namely that verifications made by management within an organisation should ensure that the processes for which it is responsible are being properly carried out and are in compliance with the relevant rules and regulations. Management verifications under Article 125(5) CPR are no different in that they are also the day to day management verifications of processes for which the organisation is responsible, carried out in order to verify the delivery of the co-financed products and services, the reality of expenditure claimed in case of reimbursement of costs actually incurred and the compliance with the terms of the relevant Commission Decision approving the operational programme and applicable Union law and national law relating to its application. However, while

[4] Source: COSO definition of internal control.

Member States' internal control systems may be adequate for national programmes they may need to be adapted to certain specific requirements of ESIF.

Management verifications form an integral part of the internal control system of all organisations and, where properly implemented also contribute to the prevention and detection of fraud.

It shall be also stated the each MA is fully responsible to plan, administer and assess its internal capacities to identify the number and value of operations which can be appropriately managed.

1.2. Responsibilities of Managing Authorities, Intermediate Bodies and Beneficiaries

Reference:

(i) Commission's "Guidance note on fraud risk assessment and effective and proportionate anti-fraud measures" EGESIF 14-0021-00 of 16 June 2014

The managing authority[5] is responsible for managing and implementing operational programmes in accordance with the principle of sound financial management, and in particular for:

- drawing up management declaration on accounts covering expenditure incurred and presented to the Commission for reimbursement;
- drawing up the annual summary of the final audit reports and of controls carried out;
- verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has been paid and that it complies with applicable law, the operational programme and conditions for support of the operation;
- ensure an adequate audit trail;
- establish a system to record and store in computerized form data on operation, including individual participants data, where applicable;
- putting in place effective and proportionate anti-fraud measures taking into account the risks identified;
- ensure that beneficiaries involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions.

The MA has overall responsibility for these tasks. It can choose to entrust[6] some or all of these tasks to IBs[7]. However, it cannot delegate the overall responsibility for ensuring that they are properly

[5] Article 125 CPR.

[6] Where one or more tasks of a MA or CA are performed by an IB, the relevant arrangements shall be formally recorded in writing.

[7] IBs are any public or private body which act under the responsibility of a MA or CA, or which carry out duties on behalf of

carried out. Therefore, where certain tasks have been entrusted to IBs, the MA should, in its supervisory capacity, obtain assurance that the tasks have been properly carried out. It can do this in a number of ways such as,

- prepare guidance notes, manuals of procedures and checklists tailored and used by IBs;
- obtaining and reviewing relevant reports prepared by IBs;
- receiving audit reports prepared in the context of Article 127(1) CPR, which should incorporate reviews of the Article 125(5) verifications done by IB; and
- performing quality checks on verifications carried out by IBs.

It shall carry out checks at IB level including a sample of beneficiary's applications for reimbursement so that, as part of its routine supervision or where it has concerns that the tasks are not being properly carried out, it can assess how the verifications have been performed. This should include an examination of a limited sample of files selected on the basis of professional judgment.

In order to avoid risks arising where a MA is responsible for (i) selection and approval of operations, (ii) management verifications and (iii) payments adequate segregation of duties shall be ensured between these three functions.

While designing the verifications, the MA is to consider fraud risks. Management and staff should have sufficient knowledge of fraud to identify red flags. In principle the presence of more than one indicator at one time increases the probability of fraud. The verifications shall be carried out with professional scepticism. The MA shall include instructions and information in its guidance manuals to raise awareness of the risk of fraud. In addition, clear procedures shall be in place to ensure any reported cases of fraud or suspected fraud are actioned promptly. All cases of suspected or definite fraud must be reported to the MA.

The Commission recommends that MA adopt a proactive, structured and targeted approach to managing the risk of fraud. For ESIF, the objective should be proactive and proportionate anti-fraud measures with cost-effective means. All programme authorities should be committed to zero tolerance to fraud, starting with the adoption of the right tone from the top. The Commission's "Guidance note on fraud risk assessment and effective and proportionate anti-fraud measures" provides assistance to MA for the implementation of Article 125(4)(c), which lays down that the MA shall put in place effective and proportionate anti-fraud measures taking into account the risks identified.

Some Member States decided to use the ARACHNE Risk Scoring Tool. ARACHNE aims at establishing a comprehensive and complete database of projects implemented under the Structural Funds in Europe enriched with the data from the publicly available sources in order to identify, based on a set of more than 100 risk indicators, the most risky projects, beneficiaries, contracts and contractors The data mining tool ARACHNE is available to MA and might be one part of effective

such an authority vis-à-vis beneficiaries implementing operations (Article 2(18) CPR. They are responsible for establishing a system of internal control to guarantee the regularity and legality of the operations, their conformity with the terms of the operational programme and compliance with the relevant Union rules. Where the MA has delegated the tasks set out in Article 125(5) CPR, the system of internal control should include verification by the IB on the applications for reimbursement submitted by the beneficiary.

and proportionate anti-fraud measures.

Intermediate body, amongst others, may be responsible for compiling applications for reimbursement received from a number of beneficiaries into one overall expenditure declaration which it submits to the MA. In such cases, the MA is responsible to carry out the verifications under Article 125(5) CPR to ensure the accuracy of the compilation of the expenditure by the IB. In cases where the IB submits expenditure declarations directly to the CA, then verifications carried out in accordance with the Article 125(5) CPR should have been done at IB level. In addition, the MA should be informed of each transmission in order to allow it to carry out verifications on the accuracy of the expenditure compilation and in order to be able to provide any required assurance to the CA.

Beneficiary is defined in Article 2(10) CPR. Where the MA or IBs are also beneficiaries a clear separation of functions must be ensured between the fund's recipient role and the supervisory role. Beneficiaries are responsible for ensuring that expenditure which they declare for co-financing is legal and regular and complies with all applicable Union law and national law relating to its application. They should therefore have their own internal control procedures, proportionate to the size of the body and the nature of the operation, for providing this assurance. However, the checks carried out directly by the beneficiaries cannot be considered to be the equivalent of the verifications falling under Article 125 CPR. Beneficiaries using e-archiving or image processing systems (meaning that the original documents are scanned and stored in electronic form) are advised to organise their internal control system so that it guarantees that: each e-document scanned is identical to the paper original, it is impossible to scan the same paper document to produce several different e-documents, each e-document remains unique and cannot be re-used for any other than its initial purpose. The approval, accounting and payment process for each e-document should be unique. It should not be possible to approve, account for or pay the same e-document twice. Once scanned, it should be impossible to amend e-documents or to create altered copies.

1.3. Guidance given by Member State

Guidance by Member State to all authorities

Member States should ensure that MA, CA and IBs receive adequate guidance on the provision of MCS necessary to ensure the sound financial management of ESIF and in particular to provide adequate assurance of the correctness, regularity and eligibility of claims on Union assistance.

Best practice in this area would involve guidance being prepared for all levels (i.e. MA, IB level) in order to ensure that a consistent methodology is applied across all bodies as regards carrying out management verifications. Overall guidance could be prepared at MA level and, where necessary, tailored at IB level to meet specific requirements. Such guidance should be incorporated in the procedures manuals of these bodies.

Guidance by MA to beneficiaries

Member State authorities should seek to prevent errors from occurring by working with beneficiaries at the start of each operation. They should provide the beneficiaries with training and guidance on setting up the systems to meet Union requirements and drawing up the first applications for reimbursement. Specific attention should be given to ensuring that the beneficiaries are aware of which costs and outcomes/outputs are eligible for reimbursement.

Particular attention should be paid to raising awareness of beneficiaries on the option offered by Articles 67.1 b,c,d) and 68 CPR, Article 14.2-14.4 of Regulation (EU) No 1304/2013, and Article 19 ETC Regulation on the unit costs, lump sums and flat rate financing as well as the reimbursement of expenditure paid by Member States on the basis of unit costs and lump sums defined by the Commission applicable to ESF beneficiaries according to Article 14.1 of Regulation (EU) No 1304/2013.

The MA is responsible for ensuring that operations are selected for funding in accordance with the appropriate selection procedures and criteria that are non-discriminatory and transparent and take into account principles of equality between men and woman and sustainable development and that they comply with the Union and national rules and falls within the scope of Fund/Funds, for the whole of the implementation period. In this regard, it must ensure that beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution and the financial and other information to be kept and communicated. The MA must satisfy itself that the beneficiary has the adequate capacity to fulfil these conditions before the approval decision is taken. It should satisfy itself that the applicant ensures the durability of operations and where the operation has started before the submission of an application for funding to the MA, that the Union law and national law relating to its application have been complied with.

A strategy should be in place to ensure that beneficiaries have access to all of the necessary information through, i.a., leaflets, booklets, seminars, workshops and websites. This should cover in particular all applicable national and Union eligibility rules and other legal requirements including information and publicity requirements.

The MA could establish appropriate criteria to assess the operational, technical and administrative capacity of applicants. The criteria may vary depending upon the type of operations but could include, i.a., an assessment of the financial standing of the applicant, the qualifications and experience of its staff and its administrative and operational structure.

1.4. Capacity of the managing authority and intermediate bodies in the framework of verifications

Member States should seek to have adequate human resources with appropriate experience in carrying out verifications for operations co-financed by ESIF. The MA and IBs should clearly identify in the MCS description the units responsible for carrying out verifications indicating the number of human resources allocated. The body responsible for carrying out verifications when the MA and IB are beneficiaries shall be identified. MA and IBs may adopt a centralised or decentralised verification system. Centralised controls offer a better possibility for experience sharing. They also increase the efficiency of the staff carrying out management verification as well as facilitates quality control. Under a decentralised system the MA should ensure that there is a system of quality control in order to ensure the same level of output across different staff carrying out management verifications.

Participating countries in ETC programmes should agree on the management verifications set-up and identify the staff carrying out management verifications, the staffing arrangements, main competencies and responsibilities and ways to ensure coherence among staff carrying out management verifications from all countries participating in the programme.

When technical assistance is used by the MA or IB, it should be ensured that there is guidance given to the external staff carrying out management verifications. Technical assistance should be used, as much as possible, as a mean to provide capacity building for the staff carrying out management verifications of the MA and IB.

MA should provide their staff with training and guidance on the skills required. In particular, the MA staff needs to have both skills as a controller and knowledge of national and EU rules and regulations (amongst others – eligibility rules, state aid rules, public procurement rules, functioning of financial instruments).

1.5. Methodology and scope of Article 125 (5) management verifications

Reference:

(i) Information note on fraud indicators for ERDF, ESF, CF, Final version of 18/2/2009; COCOF 09/0003/00-EN

(ii) For EFF: Specific EFF indicators (EFFC/71/2010)

(iii) European Commission, OLAF Compendium of anonymized cases, Structural actions, 2011

(iv) Commission's "Guidance note on fraud risk assessment and effective and proportionate anti-fraud measures" (EGESIF 14-0021-00 of 16 June 2014)

Verifications under the Article 125(5) of the CPR comprise two key elements namely, administrative verifications (i.e. desk-based verifications) in respect of each application for reimbursement by beneficiaries and on- the-spot verifications of operations.

All applications for reimbursement by beneficiaries, whether intermediate or final, shall be subject to administrative verifications based on an examination of the claim and relevant supporting documentation such as i.a. invoices, delivery notes, bank statements, progress reports and timesheets. The amount of supporting documents might be reduced when operations are implemented through simplified costs options[8].

The verifications carried out by the MA and IB before expenditure is certified to the Commission should be sufficient to guarantee that the expenditure certified is legal and regular. If during on-the-spot verifications, carried out on a sample basis, a material amount of irregular expenditure is detected (which has already been certified to the Commission), then the responsible authority should take the necessary corrective measures to strengthen verifications before the next certification to the Commission. In any event, the irregular expenditure which has already been certified to the Commission is to be corrected in the subsequent payment application or, at the latest, in the accounts submitted to the Commission for that accounting year.

The verifications should cover in particular:

- That expenditure relates to the eligible period and has been paid;
- That the expenditure relates to an approved operation;

[8] For simplified cost options, please refer to the relevant Commission guidance (EGESIF_14-0017 of 6/10/2014.

- Compliance with programme conditions including, where applicable, compliance with the approved financing rate;
- Compliance with national and Union eligibility rules;
- Adequacy of supporting documents and of the existence of an adequate audit trail;
- For simplified cost options: that conditions for payments have been fulfilled;
- Compliance with State aid rules, sustainable development, equal opportunity and non-discrimination requirements;
- Where applicable: compliance with Union and national public procurement rules;
- The respect of EU and national rules on publicity;
- Physical progress of the operation measured by common and programme specific output and, where applicable, result indicators and micro data.;
- Delivery of the product/service in full compliance with the terms and conditions of the agreement for individual form of support.

When the same beneficiary implements more than one operation at the same time or an operation receives funding under various forms of support and/or funds, there shall be mechanisms in place to verify potential double financing of expenditure item.

Where the beneficiary presents an auditor's certificate in support of expenditure declared this may also be taken into account (see section 1.10).

As indicated above where the MA is also a beneficiary, an appropriate segregation of functions for the verifications under Article 125(5) CPR shall be ensured. Adequate segregation may be achieved, for example, by using a separate department within the same organisation, independent of the department where the beneficiary is located, to carry out the management verifications. This could be the finance department or the internal audit unit, where neither of these bodies is the beneficiary and where the latter does not perform any audit work under Article 127 CPR.

In technical areas such as compliance with environmental rules, there may be competent national authorities responsible for checking compliance and issuing the relevant consents. In such cases MA should check that the relevant approvals have been obtained by the beneficiary from these bodies. For verification of compliance with state aid rules, MA may also be able to place reliance on the work of other national authorities with competence in this area.

The methodology used by MA for carrying out verifications under the Article 125(5) CPR should be set out in the procedures manuals of each body identifying which points are checked in the administrative verifications and in the on-the-spot verifications respectively and referring to the checklists to be used for different checks executed.

When a beneficiary or provider enjoys a special status i.a. of an international organization the Member State concerned should ensure access to documents for verification purposes, in e.g. memorandum of understanding, prior to the conclusion of a funding agreement or contract.

1.6. Timing of management verifications

1) Verifications during project selection

For the purpose of selection and approval of operations the MA must ensure that applicants have the capacity to fulfil a number of conditions before the approval decision is taken (see section 1.3)

2) Administrative verifications during project implementation

Management verifications should be carried out before the related expenditure is declared to the next level above. For example, before an IB forwards either an interim or final payment application to the MA (or a MA to the CA), its administrative verifications should already have been carried out. In any event, at least all administrative verifications (see section 1.5) in respect of the expenditure in a particular payment application shall be completed before the CA[9] submits the payment application to the Commission.

3) On the spot verifications during project implementation

On-the-spot verifications should be planned in advance to ensure that they are effective. Generally, notification of the on-the-spot verifications should be given in order to ensure that the relevant staff (e.g. project manager, engineer, accounting staff) and documentation (in particular, financial records including bank statements and invoices) are made available by the beneficiary during the verification. However, in some cases, where the reality of the operation may be difficult to determine after the project has been completed, it may be appropriate to carry out on-the-spot verifications during implementation and without prior notice.

On-the-spot verifications should usually be undertaken when the operation is well under way, both in terms of physical and financial progress. It is not recommended that on-the-spot verifications are carried out only when the operation has been completed as it will be too late to effect any corrective action where problems are identified and in the meantime, irregular expenditure will have been certified. Visits of operations as a preventive measure to verify the capacity of an applicant do not replace the on-the-spot verifications of operations selected for funding.

The nature, specific characteristics of an operation, amount of public support, risk level and the extent of administrative verifications, will often influence the timing of on-the-spot verifications.

For large infrastructure projects with an implementation period over a number of years, best practice would involve a number of on-the-spot verifications being made over this period, including one at completion to verify the reality of the operation. Where the same forms of support are awarded following an annual call for expressions of interest, on-the-spot verifications carried out in the first year should help to prevent the recurrence in later years of any problems identified.

4) On the spot verifications after operation implementation

Agreements for individual form of support involving the construction or purchase of an asset often impose ongoing conditions (e.g. retention of ownership, number of new employees) on beneficiaries after completion of the operation or acquisition of the asset. In such cases, a further on-the-spot

[9] Article 126 of Regulation (EU) No 1303/2013.

verification may be required during the operational phase to ensure that the conditions continue to be observed.

Where operations are intangible in nature and where little or no physical evidence remains after their completion, when on-the-spot verifications are carried out, a good practice would be to undertake them during the implementation (i.e. before completion). These on-the-spot verifications are useful in order to check the reality of such operations.

5) All management verifications should be finalized in due time in order to enable Member State's authorities for a timely transmission of the documents listed in Article 138 CPR i.e. accounts the management declaration and the annual control report /audit opinion. The MA is recommended to set internal deadlines for the completion of all management verifications in order to enable both the CA to certify the accounts as required by the Article 126 (c) CPR and the MA to issue the management declaration in line with Article 125(4 and 10) CPR .

No expenditure shall be included in the certified accounts submitted to the Commission if the planned management verifications are not fully completed and the expenditure is not confirmed as legal and regular[10]. If the MA decides to perform on the spot verifications (e.g. further to the ones that it may have already been carried out) in a subsequent accounting year, the irregularities detected at that time are to be deducted during this year and adequately disclosed in the relevant accounts.

1.7. Intensity of verifications

Administrative verifications must be carried out in respect of all intermediate and final applications for reimbursement by beneficiaries.

The Commission services recommend as best practice that the documents to be submitted with each application for reimbursement by beneficiaries are comprehensive to enable the MA to verify the legality and regularity of the expenditure in compliance with national and Union rules. Administrative verifications should thereby comprise a complete review of the supporting documents (such as invoices, proofs of payment, timesheets, presence lists, proofs of delivery, others) to each application for reimbursement.

Although management verifications of 100% of the applications for reimbursement submitted by beneficiaries are required by the regulation, verification of each individual expenditure item against source documentation within each application sent for reimbursement and the related proof of delivery included in an application, although desirable, may not be practical. Therefore, selection of the expenditure items to be verified within each application sent for reimbursement, where justified, may be done on a sample of transactions, selected taking account of risk factors (value of items, type of beneficiary, past experience), and complemented by a random sample to ensure that all items have probability to be selected. The value of checked expenditure is the amount tested to

[10] According to Article 126 (c) CPR, when the CA submits the accounts to the Commission it certifies that the expenditure declared is legal and regular, as follows from Annex VII of Regulation (EU) No 1011/2014 which requires the CA to certify that: (i) the accounts are complete accurate and true and that the expenditure entered into the accounts complies with applicable law and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the operational programme and complying with applicable law; (ii) that the provisions in the Fund-specific Regulations, Article 59(5) of Regulation (EU, Euratom) No 966/2012 and in points (d) and (f) of Article 126 CPR are respected; that the provisions in Article 140 CPR with regard to the availability of documents are respected.

source documentation. The sampling methodology used shall be established ex-ante by the MA and it is recommended to establish parameters in order that the results of the random sample checked can be used to project the errors in the unchecked population. In case that material errors are found in the sample tested, it is recommended to extend the testing to determine whether the errors have a common feature (i.e. type of transaction, location, product, period of time) and then either extend the verifications to 100% of the payment claim or project the error in the sample to the unchecked population. The total error is calculated by adding the errors from the risk based sample to the projected error from the random sample.

Best practice would require all relevant documentation to be submitted with the beneficiary's application for reimbursement. This would allow for all documentary checks to be carried out during the verifications, thus reducing the need to verify these documents on-the-spot. The supporting documentation should, at a minimum, include a schedule of the individual expenditure items, totalled and showing the expenditure amount, the references of the related invoices, the date of payment and the payment reference number and list of contracts signed. Moreover, ideally, electronic invoices and payments or copies of invoices and proof of payment should be provided for all expenditure items. However, where this would involve an inordinately large volume of documentation being submitted by beneficiaries, an alternative approach might involve requesting only the supporting documentation in respect of the sample of expenditure items selected for verification. This approach has the advantage of reducing the volume of documentation to be submitted by beneficiaries. However, as the selection of the required supporting documentation can only be made on receipt of the beneficiary's reimbursement claim, processing of the claim may be delayed pending receipt of the requested documentation. There is also a potentially higher risk for the conservation of documents if the beneficiary ceases operations before the end of the period.

It is also recommended as best practice to verify compliance with national and Union rules including public procurement procedures during the administrative verifications. Whilst it is best practice to verify all public procurement procedures, this might not be practicable due to a significant number of contracts signed. In this case, the MA should develop a procedure to verify a sample of the contracts selected on a risk basis. It is recommended to verify all contracts above the EU thresholds and a sample of contracts below the EU threshold which are sampled using a risk based approach. Article 122(3) CPR introduces a new provision for e-Cohesion. The concept of electronic exchange between beneficiaries and relevant bodies involved in the implementation of cohesion policy is intended to support the reduction of administrative burden. A good practice is establishing a computerised systems allowing for all supporting documentation, including expenditure schedules, copies of invoices and proof of payment to be input to the system at local level by the beneficiary and submitted electronically. This allows for verifications of all documents as part of the administrative verifications.

On-the-spot verifications

Where administrative verifications are exhaustive and detailed, there are still some elements concerning the legality and regularity of expenditure that cannot be verified through an administrative verification. It is therefore essential that on-the-spot verifications are carried out in order to check in particular the reality of the operation, delivery of the product/service in full compliance with the terms and conditions of the agreement, physical progress, respect for Union rules on publicity. On-the-spot verifications can also be used to check that the beneficiary is

providing accurate information regarding the physical and financial implementation of the operation.

When on-the-spot verifications and administrative verifications are carried out by different persons, the procedures should ensure that both receive relevant and timely information on the results of the verifications carried out. Project progress reports prepared by beneficiaries, or engineers' reports in the case of larger infrastructure projects, can be used as the basis for both administrative and on-the-spot verifications.

The MA, when determining the extent of verifications to be carried out under the Article 125(5) CPR may take account of the internal control procedures of the beneficiary where this is justified. For example, where the beneficiary is a government ministry and checks on the expenditure have already been carried out by a separate part of the ministry as part of their own control procedures (i.e. with appropriate segregation of functions in accordance with Article 125(7) CPR), the MA may treat them as contributing to the assurance to be obtained under Article 125(5) CPR, whilst still being responsible for carrying out verifications under this same Article . The checks carried out directly by the beneficiaries cannot be considered to be the equivalent of the verifications falling under Article 125 CPR.

On-the-spot verifications may be carried out on a sample basis. Where sampling is used for the selection of operations for on-the-spot verifications, the MA shall keep records describing and justifying the sampling method and a record of operations selected for verification. It shall review the sampling method each year.

No operation shall be excluded from the possibility of being subject to an on-the-spot verification. However, in practice, for programmes or priority axes having a large number of small operations, administrative verifications may provide a high level of assurance (e.g. where the beneficiary sends all relevant documentation to the MA and where reliable documentary evidence of the reality of the project is provided). The administrative verifications can then be complemented by on-the-spot visits to a sample of these operations to provide confirmation of the assurance.

The intensity, frequency and coverage of on-the-spot verifications is dependent upon the complexity of the operation, the amount of public support to an operation, the level of risk identified by management verifications, the extent of detailed checks during the administrative verifications and audits of the AA for the MCS as a whole as well as the type of documentation that is forwarded by the beneficiary.

The sample could focus on high value operations, operations where problems or irregularities have been identified previously or where particular transactions have been identified during the administrative verifications that appear unusual and require further examination (i.e. risk-based selection). A random sample should be selected as a complement. For infrastructure projects implemented over several years, several verifications are likely to be required during implementation and at completion. Where a particular beneficiary is responsible for an operation made up of a group of projects, the MA should put in place a procedure for determining which projects within this operation will be subject to the on-the-spot verification..

As mentioned in section 1.2 above, Member States are able to opt for the ARACHNE Risk Scoring Tool that can identify more than 100 risks associated with risk indicators, such as procurement, contract management, eligibility, performance, concentration as well as reputational and fraud

alerts. This programme enables and aids the MA in identifying most risky projects, contracts, contractors and beneficiaries and helps to gear its administrative capacity to the most risky cases while planning on-the-spot visits. Additionally the systematic risk identification might support the MA to supervise the tasks delegated to the IBs such as the first level control.

Where problems are identified in the on-the-spot verifications from the random sample, the size of the sample should be increased in order to determine whether similar problems exist in the unchecked operations.

For the selection of the expenditure items to be verified within each operation the same rules apply as for administrative verifications.

If following the conduct of on-the-spot verifications, it results that a material amount of expenditure which was already certified to the Commission is irregular then the MA or IB should take the necessary corrective measures to strengthen verifications before the next certification to the Commission. This may be achieved by either strengthening the administrative verifications or by carrying out the on-the-spot checks before the expenditure is certified to the Commission.

The MA shall be in a position to demonstrate, through adequate documentation of the management verifications carried out, that the overall intensity of verifications, both administrative and on-the-spot, is sufficient to give reasonable assurance of the legality and regularity of the expenditure co-financed under the programme.

Best practice for the MA for the on-the-spot verification of measures that include construction works is to carry out additional checks on the quantity and quality of the material used. Normally the contractor and the supervising engineer are responsible to ensure that the investment strictly complies with the conditions laid out in the technical specification. They are carrying out checks on the quantity and quality of the material built in. However in some cases the material used for construction does not comply with the requirements set out in the technical specification even though the checks were carried out by the contractor or the supervising engineer. The consequences are serious and it is very costly to repair the damages once the investment is finalised. Examples for possible risks:

- The surface of roads needs to be repaired soon after completion because the layers are too thin or the surface does not meet the quality set out in the technical specification, or
- The quality of concrete used for buildings such as wastewater treatment plants is insufficient or does not meet the standards. There is a risk that the building becomes useless and/or costly works to repair the damages will be required. Additional checks on the quantity and quality of the material used carried out by the MA or an independent third party that is contracted by the MA help preventing severe damages during and after construction, improve the assurance that only regular expenditure are certified to the Commission and, in addition, help preventing corruption practices.

1.8. Documenting management verifications

All management verifications (both administrative and on-the-spot) shall be documented. The records should state the work performed, the date when the work was carried out, details of the application for reimbursement reviewed, amount of expenditure tested, the results of the

verifications, including the overall level and frequency of the errors detected, a full description of irregularities detected with a clear identification of the related Union or national rules infringed and the corrective measures taken. Follow up action might include the submission of an irregularity report and/or a procedure for recovery of the funding.

Checklists, which act as a guide for carrying out the verifications, are often used to record each of the actions performed together with the results. These should be sufficiently detailed. For example, when recording verifications on the eligibility of the expenditure, it is not sufficient to have one box on the checklist stating that the eligibility of the expenditure in the declaration has been verified. Instead, a list of each of the eligibility points verified should be detailed with reference to the related legal basis (e.g. expenditure paid within the eligibility period, conformity of supporting documents and bank statements, appropriate and reasonable allocation of overheads to the operation). In the case of public procurement it is recommended to have detailed checklists which cover the key risks in the procurement procedure.

For more straightforward verifications such as checking the sum of a list of transactions, a simple tick beside the total figure would suffice to record the work done. The name and position of the person performing the verifications and the date they were carried out should always be recorded.

Photographs of billboards, copies of promotional brochures, training course materials and diplomas may be used to provide evidence of the verification of compliance with publicity requirements.

A system for recording and storing in computerized form data on each operation for and from verifications carried out should be maintained for each programme. Records are kept in computerized monitoring information systems in Member States. This facilitates the planning of verifications, helps avoid unnecessary duplication of work and provides useful information for other bodies (i.e. AA, CA). Moreover the Member States should maintain a register of management verifications where at least following data are kept with the link to relevant verification: value of an irregularity(s) detected, amount affected, type of the irregularity and/or finding and measures taken. This register should be maintained for purposes of the management declaration and relevant statistics should be regularly communicated to other bodies (i.e. AA, CA)

The details (i.a. date of on-the-spot verifications of individual operations carried out) should be recorded in the computerised monitoring system.

1.9. Outsourcing management verifications

As a general principle, management verifications are to be carried out under the responsibility of the MA by the body directly responsible for the management of the programme or priority axis. Sufficient staff resources shall be allocated to these verifications in order to ensure that they are carried out properly and in a timely way (see section 3.4).

However, in situations where, due to the high volume or technical complexity of the operations to be verified, MA finds that it does not have sufficient staff or expertise to carry out the verifications itself, outsourcing of some or all elements of the verifications to external firms may be appropriate. Where the option of outsourcing is used, it is essential that the scope of the work to be carried out and a wording of the opinion are set out clearly in the terms of reference. Therefore, the consequences of any delays in carrying out this work may have an impact on the threshold of eligible expenditure to declare in order to avoid N+3 decommitment. In order to avoid this risk, the

MA is recommended to implement procedures ensuring timely processing of reports by external firms. This is particularly relevant in the case of public sector bodies where delays can be experienced in the award of contracts for this type of work. There is also an onus on the contracting authority to assess the quality of the outsourced work e.g. by reviewing a number of applications for reimbursement. This will usually involve assigning additional staff to this function. Accordingly, before a decision to outsource management verifications is taken, all of these factors should be taken into consideration.

1.10. Auditors' certificates

The terms of agreements for individual form of support may include a requirement for beneficiaries to provide an auditor's certificate with applications for reimbursement they submit. These certificates vary depending upon the scope of the work carried out by the auditor but generally cover basic requirements such as confirmation that the expenditure has been paid within the eligible period, that it relates to items approved under the agreement, that the terms of the agreement for individual form of support have been complied with and that adequate supporting documentation, including accounting records, exists. Although the assurance under Article 125(5) CPR cannot be obtained solely by checks carried out by beneficiaries themselves or by third parties (e.g. auditors) on their behalf, auditors' certificates may, provided the work carried out is of satisfactory quality, justify limiting the management verifications to a sufficient sample taking account of known risks, including the risk of a lack of independence of the body providing the certificate. However, in order for reliance to be placed on the certificates, it is essential that the MA provides guidance for use by the beneficiaries' auditors on the scope of the work to be done and the report/certificate to be presented. This should not be simply a one sentence certificate on the regularity of the beneficiary's claim, but should describe the work carried out and the results.

IFAC (International Federation of Accountants) has issued an International Standard on Related Services (ISRS) 4400 entitled 'Engagements to Perform Agreed-upon Procedures Regarding Financial Information' which establishes standards and provide guidance on the auditor's professional responsibilities when an engagement to perform agreed-upon procedures regarding financial information is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. This type of agreed-upon procedure could be used for the provision of an auditor's certificate accompanying a beneficiary's application for reimbursement.

The objective of an agreed-upon procedures engagement is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. Matters to be agreed include:

- The nature of the engagement;
- The purpose of the engagement;
- The identification of the financial information to which the agreed-upon procedures will be applied;
- The nature, timing and extent of the specific procedures to be applied;
- The anticipated form of the report of factual findings.

The report should describe the purpose and the agreed-upon procedures of the engagement in

sufficient detail to enable the reader to understand the nature and the extent of the work performed. ISRS 4400 also sets out useful templates for engagement letters and for reports on factual findings.

The annually audited financial statement of a beneficiary company cannot replace a specific auditor's certificate for each application for reimbursement made by that beneficiary.

To ensure the quality and reliability of auditors' certificates, the MA shall review a number of auditors' certificates.

1.11. Segregation of duties

The staff performing verifications under the Article 125(5) CPR shall not be involved in systems audits or audits of operations carried out under the responsibility of the AA (Article 127 CPR) and vice versa. The objectives of management verifications are different from those of audits carried out under the responsibility of the AA, the latter being carried out ex-post (i.e. after the payment application has been submitted to the Commission). The objective of these audits is to assess whether the internal controls are operating effectively whereas management verifications form part of the internal controls. The two types of work must therefore be clearly distinguished in their planning, organisation, execution, content and documentation.

Although management verifications and audits under the responsibility of the AA shall be separated, exchange of information between the MA, CA and AA services is desirable. For example, the staff involved in management verifications should be kept informed of the results of audits and may well look to the AA for advice while the latter should take account of the results of management verifications in its risk analysis and audit strategy.

2. Specific areas concerning management verifications

2.1 Management verifications of public procurement

Reference:

(i) ***Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.***

(ii) ***Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors***

(iii) ***Commission Interpretative Communication on the Community law applicable to contract awards not or not fully subject to the provisions of the Public Procurement Directives (2006/C179/02)***

(iv) ***Commission Interpretative Communication on the application of Community law on Public Procurement and Concessions to Institutionalised Public-Private Partnerships (2007/C 6661)***

(v) ***"Identifying conflicts of interests in public procurement procedures for structural actions. A practical guide for managers."*** *Working document drafted by a group of Member States' experts with support from OLAF, 2013. It is intended to facilitate the implementation of operational programmes and to encourage good practice. It is not legally binding on the Member States but provides general guidelines with recommendations and reflects best practices.*

(vi) ***"Detection of forged documents in the field of structural action. A practical guide for***

managing authorities." *Working document drafted by a group of Member States' experts with support from OLAF, 2013. It is intended to facilitate the implementation of operational programmes and to encourage good practice. It is not legally binding on the Member States but provides general guidelines with recommendations and reflects best practice.*

(vii) New procurement directives:

- *Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contract;*
- *Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC;*
- *Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC;*

(viii) *Commission Decision C(2013) 9527 of 19.12.2013 on the setting out and approval of the guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement*

Verifications in relation to public procurement should aim to ensure that Union public procurement rules and related national rules are complied with and that the principles of equal treatment, non-discrimination, transparency, free movement and competition have been respected throughout the entire process.

Verifications should be carried out as soon as possible[11] after the particular process has occurred as it is often difficult to take corrective action at a later date.

At award of funding stage, it should be ensured that beneficiaries are aware of their obligations in this area and that staff has received relevant training. Some Member States have prepared specific guidance on or even templates for the public procurement procedures to be used by beneficiaries. This is particularly useful where beneficiaries are involved in one-off contracts and lack relevant experience. Guides and explanatory notes on the Community rules for public procurement have been produced by the European Commission and provide useful information and explanations (http://ec.europa.eu/internal_market/publicprocurement/index_en.htm)

It is essential that suitably experienced and qualified staff should be used to carry out these verifications and that detailed checklists are available for use by the staff.

The MA is strongly recommended to prepare already for the implementation of public procurement directives published in the Official Journal L94 of 28 March 2014 with a deadline of transposition until 18 April 2016.

Intensity of verifications of public procurement

The intensity of management verifications should be determined by the MA according to the value and type of contracts.

[11] For public procurement in case of simplified cost options, please refer to the specific guidance in EGESIF_14-0017.

In case the public procurement was already verified by other competent national institution, the results may be taken into consideration for the purpose of management verification if the scope of the check is at least the same as the scope of the review that would be carried out by the MA and the MA takes the responsibility for those checks.

Planning

Beneficiaries are responsible for ensuring the quality of the initial studies, the design and the accuracy of the project costing. Where MA consider that there is a risk they should verify ex-ante these elements as a preventive measure and also check that cost estimates are up-to- date. A prudent approach should be taken in cases where the estimated costs are close to the EU-threshold. In such cases it is advised to consider a decision for EU-wide tender due to:

- The requirements to the MA to check during management verifications the way the cost estimation was done. In particular in the cases described above, it should be ensured that the cost estimation is not unduly reducing the price in order to avoid EU wide tender. Being close to the threshold is a risk factor;

- The addenda. The case can be that the tender specifications omitted some elements later contracted as addenda, and with these addenda the contract amount exceeds the EU threshold.

This should ensure that problems with the initial tendering as well as additional works/supplementary contracts during project implementation are avoided.

Particular attention should be paid to checking:

- The appropriateness of the procurement method being used;

- The interdependence between the different contract phases (land acquisitions, site preparation, utilities connections etc.);

- Financing plans and the availability of national co-financing.

Tendering

For high value contracts or where beneficiaries are presumed to be inexperienced in the area of public procurement, MA is recommended, prior to advertising the contract, that the quality of the tender documents (including the terms of reference) have been verified either by their own experts or by an external expert. Particular attention should be given to verifying that the specifications are well-defined as regards technical, economic and financial capabilities and that appropriate selection and award criteria are to be used.

Although there are specific advertising requirements set by EU public procurement rules, MA should also be aware of the need to verify that, even where contracts fall below the EU thresholds or where services are subject only to a limited application of Directive 2004/18/EC (i.e. Annex IIB) or of Directive 2004/17/EC (i.e. Annex XVII B), an adequate (i.e. in the context of the size and nature

of the contract[12]) level of advertising of the contract should have been made in order to ensure that the Treaty's general principles of equal treatment and transparency are respected. This is particularly relevant for public procurement with cross border interest. This can be achieved by requesting beneficiaries to provide a copy of the relevant publications when submitting applications for reimbursement. Evidence of dispatch of contract award notices should also be requested, particularly for services listed in Annex IIB of Directive 2004/18/EC or in Annex XVII B of Directive 2004/17/EC.

Selection and award criteria

In order to properly verify that tender selection and award procedures have been carried out in accordance with the EU and national public procurement rules, MA should obtain and review the tender evaluation reports prepared by evaluation committees. In addition, managing authorities or constituted bodies as applicable should review any complaints submitted to the contracting authority or constituted bodies by tenderers. During management verifications the MA should ensure itself that the complaint procedure was correctly followed. These complaints may highlight possible weaknesses in the tender award procedure.

For contracts that exceed the thresholds set in the EU public procurement directives, MA in some Member States send an observer to tender evaluations. A report setting out the observer's conclusions regarding the tender evaluation is then prepared. The observer verifies that a sufficiently detailed tender evaluation report has been prepared showing how the evaluation committee has reached its conclusions.

This approach may not be practical where the number of contracts exceeding the thresholds is high, but is recommended where the contracting authority is known to lack relevant experience. It could also be used on a limited sample basis to obtain assurance that better established contracting authorities, that are responsible for a large number of contracts which exceed the thresholds, are complying with the relevant procurement rules.

Particular areas of the tender evaluation and award procedures which Commission audits have identified as being problematic include:

- no separation between the selection phase and award phase of the procedure and confusion of selection criteria and award criteria;
- selection criteria incorrectly used during the award phase;
- the selection and award criteria not being published in the tender notice or tender specifications;
- use of discriminatory technical specifications or national permits requested at tendering stage;

[12] Case C-324/98 Telaustria [2000] ECR I-10745 and Commission Interpretative Communication on the Community law applicable to contract awards not or not fully subject to the provisions of the Public Procurement Directives (2006/C 179/02)

- selection and award criteria other than those published being used during the evaluation;
- the criteria used not being in compliance with the fundamental principles of the Treaty (transparency, non-discrimination, equal treatment);
- inadequate documentation of decisions taken by the evaluation committee;
- too dissuasive selection criteria not linked to the subject matter of the contract.

Some Member States have established an independent public procurement verification unit which is empowered to carry out checks of all stages of tender procedures, up to contract signature stage. In respect of both nationally funded and EU funded contracts, it can attend tender evaluations in the capacity of observer. Where it has concerns regarding any elements of the procedure, it will report these concerns to both the contracting authority and to the MA. In this way, the MA is made aware of any potential problems regarding the contract and, before approving any expenditure declared by the beneficiary in respect of the affected contract, it can request information from both the beneficiary and the public procurement verification unit to ensure that the problems identified have been adequately addressed. An agreement between the MA and the public procurement verification unit could be used to specify the scope and coverage of the checks of EU funded contracts.

Contract implementation phase

Particular areas of the contract implementation phase which Commission audits have identified as being problematic include:

- supplementary/complementary works awarded directly without being re-tendered;
- substantial amendment of essential conditions of the contract at implementation stage.

For contracts exceeding the threshold in the EU public procurement directives, best practice would include a procedure to ensure that all significant supplementary/complementary contracts or substantial amendments of contracts are notified to a public procurement verification unit/MA before being signed by the contracting authority. This will allow for any verifications considered necessary to ensure that the relevant public procurement rules have been complied with to be carried out before the related contracts or amendments have been signed[13].

Examples of the most common issues identified in the past by the Commission in the area of public procurement:

- Additional works – direct award in the absence of unforeseen circumstances;
- Unlawful award criteria;
- Splitting of a project to avoid tender procedures on EU level;

[13] Court cases T-540/10 and T-235/11 from 21/01/2013 on the interpretation of unforeseen circumstance concerning addenda to contracts.

- Unlawful selection criteria;
- Time limits for tendering - too restrictive;
- Direct award of contract;
- Non-compliance with advertising procedures;
- Tender clarification – weaknesses;
- Failure to provide an adequate audit trail;
- Unjustified use of negotiated procedure;
- Unjustified use of accelerated procedure;
- Deficiencies in the case of contract value calculation;
- Deficiencies in respecting the established delivery deadline;
- Works started before the tender procedure was completed.

2.2. Environment

Community law incorporates over 200 legal acts in the environmental field. These legislative measures cover all environmental sectors, including water, air, nature, waste, and chemicals while others deal with cross-cutting issues such as access to environmental information and public participation in environmental decision-making. Whilst all the environmental *acquis* applies to co-financed actions, in the context of ESIF the following thematic areas are of particular relevance:

- The **Environmental Impact Assessment** or EIA Directive[14] as amended requires Member States to carry out an assessment on certain public and private projects likely to have a significant impact on the environment prior to project approval or authorization. Although not yet explicitly included in the formal requirements of the EIA, impacts of climate on the project, referred to as climate change adaptation, have also to be addressed during the design process of some projects[15]. The Directive takes account of the provisions of the Aarhus Convention on public participation and access to justice in environmental matters. The EIA Directive contains a provision dealing with exceptional cases (Article 2(3) of the Directive). Recent guidance emphasizes the exceptional nature of the circumstances in which this provision might be used (in line with the European Court of Justice's standard approach to interpreting derogations).

- The **Strategic Environmental Assessment** (SEA) Directive[16] - Environmental assessment can be undertaken for individual projects on the basis of the above-mentioned EIA Directive or for public plans or programmes on the basis of the SEA Directive. In addition to requiring Member States to make an assessment before an operational programme is approved, the SEI/SEA Directive provides for monitoring indicators to identify, at an early stage, unforeseen adverse

[14] Council Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment,
as last amended by Directive 2003/35/EC

[15] See 'Guidance on Integrating Climate Change and Biodiversity into Environmental Impact Assessment', European Commission, DG Environment, 2013

[16] Directive 2001/42/EC of the European Parliament and of the Council on the assessment of the effects of certain plans and programmes on the environment

effects and to undertake appropriate remedial action. If appropriate, existing monitoring arrangements may be used to avoid duplication. In addition, the SEA process already carried out may need to be updated if there are significant changes to the operational programme. If the operational programmes lead themselves to further plans and programmes, then it must be assessed if these too require an SEA process. Finally, it should be noted that Waste Management Plans required under the Waste Framework Directive require a mandatory SEA. Only those interventions and infrastructure works that are in conformity with Waste Plans notified to the Commission are admissible for financing.

- **Environmental Information** - The freedom of access to information on the environment Directive[17] aims to make information held by public authorities on the environment more accessible to the public and to ensure that fair standards of access to information are applied across the Community.

  Nature is covered by the Birds and Habitats Directives[18], in particular in relation to impacts on the network of Natura 2000 sites. Together, these Directives provide a comprehensive protection scheme for a range of animals and plants as well as for the selection of habitat types. In order to restore or maintain a favourable conservation status for natural habitats and species of Community interest, the Habitats Directive set up the Natura 2000 ecological network of protected areas, which has become the centrepiece of EC nature and biodiversity policy. The Habitats Directive (in Article 6) contains specific provisions for an appropriate assessment of impacts and mitigation and compensation measures.

- **Water** - The Water Framework Directive[19] establishes a framework for the protection of all water bodies (i.e. rivers, lakes, transitional waters, coastal waters, canals and groundwater) in the European Union. Its central objective is to achieve good quality status for water resources by 2015 through integrated management based on river basin districts. It contains specific provisions (in Article 4.7) for the assessment of infrastructures with potential risks of water resources deterioration, for example related to inland waterway projects.

- **Waste** - The Waste Framework Directive[20] lays down basic requirements regarding the handling of waste and establishes the hierarchy for waste management options (in decreasing order of preference: prevention, recovery, reuse, material recycling, energy recovery, disposal). In order for a waste management infrastructure project to be co-financed by the ERDF or the Cohesion Fund, it must be part of a coherent waste management plan. The Landfill Directive[21] establishes a set of detailed rules in order to prevent or minimise the negative effects that landfill sites for waste can have, including pollution of soil, air and water and risks to human health and to reduce the quantities of biodegradable waste going to landfills. The Incineration Directive[22] aims to prevent or limit as far as practicable the negative effects on the environment and the resulting risks to human health, from the incineration of waste. It imposes stringent

Council Directive 90/313/EEC, as amended by 2003/4/EC

[18] Council Directive 2009/147/EC of the European Parliament and of the Council (codified version of directive 79/409/EEC) on the conservation of wild birds; Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora

[19] Directive 2000/60/EC establishing a framework for Community action in the field of water policy, as last amended by Directive 2008/32/EC

[20] Council Directive 2006/12/EC of the European Parliament and the Council on waste

[21] Council Directive 1999/31/EC on the landfill of waste

[22] Council Directive 2000/76/EC on the incineration of waste

operational conditions and technical requirements and sets emission limit values for waste incineration plants within the EU.

A number of "recycling" Directives, such as those on waste from packaging, electrical and electronic equipment, vehicles and batteries, set binding targets for recycling of waste or specific materials contained therein. Most of them explicitly state that the producers of the products are financially responsible for the proper treatment of waste.

Management verifications in the environment area should verify that the beneficiary has complied with the applicable Directives by checking whether the relevant consents have been obtained from the competent national authorities in accordance with the procedures. The competent national authorities are responsible for ensuring that EU environmental legislation is correctly applied, and for taking appropriate steps if this is not the case.

In order to carry out its responsibilities under Article 125(3) CPR during the selection and approval of operations, MA should ensure that it has access to appropriate in-house or external expertise to assist it in identifying all relevant environmental issues related to the particular type of operation being approved. Close working relationships with the national environmental agencies could be established to assist MA in this regard.

Similarly, for the purpose of management verifications defined in the Article 125(5) CPR, MA should ensure that it has access to relevant expertise in verifying continuing compliance of operations with the environmental rules.

2.3 State aid

Member States need to comply with the rules on State aid. State aid is present if the provisions of Article 107 (1) of the Treaty are fulfilled: any aid granted by a Member State or through State resources which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods in so far as it affects trade between Member States.

To the extent that State aid is present, Member States are required to notify State aid to the Commission and may not implement the State aid until the Commission has approved the aid.

However, certain measures are exempted from notification because they are compatible with the Treaty when they fulfil certain conditions (block exemptions) or they do not constitute State aid (*de minimis*).

Although the selection process is crucial to assess the compliance with the State aid rules, the objective of the management verifications is also to verify whether an operation contains a State aid element and then to ensure that the provisions laid down in the relevant legal basis are adhered to.

The following State aid regulations and guidelines are typically relevant for the assessment:

1. *De minimis* Regulations - Regulation No 1407/2013, OJ L 352/1 of 24.12.2013 or possibly preceding regulations. There is also a specific *de minimis* regulation for Services of General Economic Interest and a specific *de minimis* regulation for the agricultural sector;

2. Block exemption rules (Regulation No 800/2008 amended by Regulation No 1224/2013) and Decision 2012/21);

3. Notified aid (individual or schemes) - See DG Competition website:

http://ec.europa.eu/competition/state_aid/register .

As regards financial instruments, the verification should also take into account the following documents:

- Risk capital: Community guidelines 2006/C194/02

- Guaranty: Commission notice 2008/C155/02

- Loan: Commission communication 2008/C14/02.

Moreover, as stated in the relevant guidance[23]: "For financial instruments, State aid has to be complied with by all three levels: managing authority, Fund of Funds and the Financial Intermediary. Aid should be considered at different levels: the fund manager (who is remunerated), the private investor (who is co-investing and may receive aid) and the final recipient. For the ESIF, Article 37(12) CPR clarifies the relevant applicability: *'For the purposes of the application of this Article, the applicable Union State aid rules shall be those in force at the time when the managing authority or the body that implements the fund of funds contractually commits programme contributions to a financial instrument, or when the financial instrument contractually commits programme contributions to final recipients, as applicable*.'".

In practical terms, the management verifications on State aid should complement the checks carried out during the selection process of the operation:

(1) They shall verify whether the operation includes State aid. It should be noted that State aid is not excluded if the recipient is a non-profit organisation or a public body. For this purpose, it shall be considered whether the beneficiary is engaged in an economic activity (i.e. offering goods and services on a market open to competition) regardless of its legal status.

(2) The legal basis (normally on the basis of the selection documentation of the operation) should be clearly identified.

(3) The use of a specific checklist for each type of State aid measure is highly recommended to ensure that all relevant provisions are tested. Such a checklist will be used as an aide-memoire and an audit trail of the checks carried out.

Although the main compliance tests should have been carried out during the selection process, complementary tests should be carried out during the management verifications. For instance:

- in respect of the *de minimis* rule, it is possible to check the beneficiary's accounts to ensure that the *de minimis* threshold is not exceeded and to verify that it is respected for all undertakings belonging to the same group (at least through a declaration as laid down in the *de minimis* Regulations or through means allowed by national rules);
- in respect of block exemptions, particular attention should be paid to the definition of the SMEs, to the common provisions applicable to all kind of measures (incentive effect, transparency, etc.) and the specific provisions for the different categories of aid (maximum

[23] Cf. section 7.7. of the "Financial instruments in ESIF programmes 2014-2020 - A short reference guide for managing authorities" (EGESIF_14_0038-03 of 10 December 2014), available in: http://ec.europa.eu/regional_policy/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf

amounts, maximum intensity, eligible costs, etc.);

- in respect of notified aid, the conditions laid down in the approved aid should be tested.

It is essential to ensure a sound verification on State aid, based on specific checklists for each measure that will be used as an aide-memoire and an audit trail of the checks carried out.

Examples of the most common issues identified in the past by the Commission in the area of State aid[24]:

- Infringement of Article3 of Regulation No 1998/2006 - State aid - lack of verification of *de-minimis* rules.
- Exceeding of permissible aid ceilings due to the fact that a company does not qualify as SME and therefore is not entitled to an SME bonus.
- Early 'start of works' (before application for aid was made or before granting authority has given approval).
- Insufficient checks of 'incentive effect' for the aid.

2.4. Financial instruments

Reference:

(i) Article 40 of Regulation (EU) No 1303/2013;

(ii) Article 9 of Delegated Regulation (EU) No 480/2014[25];

(iii) Regulation (EC) No 1781/2006 of the European Parliament and of the Council of 15/11/2006 on information on the payer accompanying transfers of fund;

(iv) Regulation (EC) No 1889/2005 of the European Parliament and of the Council of 26/10/2005 on controls of cash entering or leaving the Community;

(v) Directive 2001/97/EC of the European Parliament and of the Council of 4/12/2001 amending Council Directive 91/308/EEC on prevention of the use of the financial system for the purpose of money laundering;

(vi) Directive 2005/60/EC of the European Parliament and of the Council of 26/10/2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing;

(vii) "Financial instruments in ESIF programmes 2014-2020 - A short reference guide for managing authorities" (EGESIF_14_0038-03 of 10 December 2014)[26], to be supplemented with more detailed specific guidance as relevant, including in complementarity with fi-compass, the unique platform for advisory services on financial instruments under the ESIF (http://www.fi-compass.eu/)[27].

Management verifications in relation to financial instruments should aim to ensure the compliance

[24] The legal provisions relate to past periods and at present are no longer in force

[25] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.138.01.0005.01.ENG

[26] http://ec.europa.eu/regional_policy/thefunds/fin_inst/pdf/fi_esif_2014_2020.pdf

[27] The final version of the detailed guidance and interpretation fiches on financial instruments will be made available on INFOREGIO in a first stage and later in the http://www.fi-compass.eu/ , which will centralize all material on financial instruments.

with applicable laws and regulations, the sound financial management of ESIF, the safeguarding of assets and the reliable financial reporting by the beneficiaries or the financial intermediaries

In case of financial instruments operations, the MA shall carry out administrative verifications on each application for payment submitted by the beneficiary. Fund managers might be entrusted with part of the management verification tasks to be carried out under the supervision of MA.

It should be ensured that the set-up of the financial instrument as well as its implementation are in accordance with applicable law, including rules covering the ESI Funds, State aid, public procurement and relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism and tax fraud. The set up should be verified with the first application for payment and the implementation with each subsequent application.

As regards the set-up, the following aspects should be verified:

- ex-ante assessment under Article 37(2);
- implementation option under Article 38;
- design of the financial instrument (with or without funds of funds);
- content of the funding agreement(s) or strategy document (Annex IV CPR);
- selection and agreement with fund of funds and/or financial intermediaries;
- fiduciary accounts or separate block of finance (only for option under Article 38(4)(b));
- national co-financing (Article 38(9));
- State aid (rules on risk-finance, Global Block Exemption Regulation, de minimis).

As regards the implementation, the following aspects should be verified:

- Compliance with the funding agreement, including:
- Implementation of the investment strategy (e.g. products, final recipients, combination with grants);
- Implementation of business plan including leverage;
- Calculation and payment of management costs.

For financial instruments managed under Article 38(4)(c), compliance with the strategy document referred to in Article 38(8) should be verified.

Compliance with legislation on the prevention of money laundering and the fight against terrorism can be based on assurance provided by national body entrusted by law with inspection powers in this field and competences to check the body implementing the fund of funds and body implementing the financial instrument. The main applicable legislation is listed above.

Checklists were provided by the Commission to the national audit authorities in 2011 (cf. Ares(2011)1078561 – 11 October 2011). Although they refer to the period 2007-2013, they could be considered as useful by the MA, but should be adapted to the rules applicable for the period 2014-2020.

For on-the-spot verifications, there is a difference between:

- the financial instruments set up at Union level managed directly or indirectly by the Commission where the MA will not carry out on-the-spot verifications by the MA are required (Article 40 (1 and 2) CPR) but they shall receive regular control reports from the bodies entrusted with the implementation of those financial instruments, and

- the financial instruments set up at national, regional, transnational or cross-border level managed by or under the responsibility of the MA where the MA shall carry out the on-the-spot verifications.

On-the-spot verifications should take place in the first instance at financial instrument level. They should also by carried out at final recipient level (e.g. on a sample basis) if the MA estimates that this is justified given the level of risk identified. In any case, on-the-spot verifications should take place at final recipient only in cases listed in Article 40(3) CPR.

It should also be noticed that the eligibility aspects should be looked at, including:

- Conditions related to the stage of investment: generally the investments to be supported by financial instruments shall not be physically completed or fully implemented at the date of the investment decision (Article 37(5) CPR; there is however a derogation from this rule under Article 37(6) CPR;

- Combination of financial instruments with other types of support within the same operation (Article 37(7)) or as a separate operation (Article 37(8) CPR). Conditions under Article 37(9) CPR have to be complied with.

- Limitations for contributions in kind (Article 37(10) CPR);

- VAT treatment;

- Working capital;

- undertakings in difficulty (limitation under Article 3(3)(d) the ERDF Regulation (EU) No 1301/2013 and State aid rules).

Requirements for audit trail - The beneficiary shall be responsible for ensuring that supporting documents are available and shall not impose on final recipients record-keeping requirements that go beyond what is necessary to enable them to fulfil this reasonably (Article 40(5)). Separate records must be maintained for each form of support in case one operation combines financial instruments with grants, interest rate subsidies and/or guarantee fee subsidies and when a final recipient supported by financial instrument receives also assistance from other Union-funded source (Articles 37(7 and 8) of the CPR).

As it is possible to have contributions from more than one operational programme to the same

financial instrument, in such cases, the fund of funds or/and the financial intermediary must keep separate accounts or maintain an adequate accounting code for the contribution from each operational programme, for reporting, audit and verification purposes. An examination of the audit trail should form part of the Article 125(5) verification.

Management verifications should focus on checking the supporting documents attesting to observance of the funding conditions. The documentation may include application forms, business plans, annual accounts, checklists and reports of the venture capital fund assessing the application, the signed investment, loan or guarantee agreement, reports by the enterprise, reports on visits and board meetings, reports by the loan intermediary to the guarantee fund supporting claims, environmental approvals, equal opportunities reports and declarations made in connection with receipt of de minimis aid.

Evidence of expenditure in the form of receipted invoices and proof of payment for goods and services by SMEs is only required as part of the audit trail where the capital, loan or guarantee to the SME is conditional on incurring expenditure on particular goods or services. However, in all cases, there must be proof of the transfer of the capital or loan by the venture capital fund or loan intermediary to the enterprise.

Management verifications of financial instruments are quite specific and require adequate knowledge in this respect. Attention should be given to the adherence of the financial instruments to the State aid rules of the investments, the public procurement rules in respect of the selection of the fund of funds and financial intermediaries and the level of the management costs.

Examples of the most common issues identified in the past by the Commission in the area of financial instruments[28]:

- Guarantees issued by the FEI constituted collaterals of loans that had been provided from another FEI under the same OP;
- Unlawful capital rebates when principles of the loans not fully reimbursed;
- Loans provided to finance exclusively working capital before 1/12/2011;
- Management costs not based on evidence;
- Failure to provide an adequate audit trail;
- Slow project implementation and potentially ineffective countermeasures allowing to improve the performance;
- Inadequate management verifications (Article 13 of Regulation (EC) No 1828/2006);
- Missing compulsory elements in the funding agreement (Articles 43(3) 44(2) of Regulation (EC) No 1828/2006);
- Audit of operations not performed because of limitation to scope (Article 16 of Regulation (EC) No 1828/2006);
- Funding used to acquire assets instead of expanding or strengthening of the general business activity (Article 45 of Regulation (EC) No 1828/2006).

[28] The legal provisions relate to past periods and at present are no longer in force

2.5. Revenue-generating operations

Reference

(i) Articles 61 and 65(8) and Annex V CPR;

(ii) Articles 15 to 19 of Delegated Regulation (EU) No 480/2014***;***

(iii) Guide to Cost-benefit Analysis of Investment Projects Economic appraisal tool for Cohesion Policy 2014-2020.

The CPR makes a distinction between operations generating net revenue after completion (and possibly during implementation as well), which are covered by Article 61, and operations generating net revenue during their implementation and to which paragraphs 1 to 6 of Article 61 do not apply, which are covered by Article 65(8).

Operations generating net revenue after their completion

Paragraph 1 of Article 61 CPR defines 'net revenue'.

The MA, as part of its management verifications, should firstly check whether the operation falls within the scope of Article 61(1) CPR. Where cash in-flows can be expected after operation completion, the MA should in particular examine whether the cash in-flows will be directly paid by the users or whether they can be classified as 'other cash in-flows', such as other private or public contributions or other financial gains.

The MA should ensure that the cash in-flows have been determined on the basis of the incremental approach (i.e. by difference between the situations with and without operation), which can involve cost savings. In case expected cost-savings have not been considered as net revenue by the beneficiary, the management verifications should obtain evidence that they will be offset by an equal reduction in operating subsidies.

Where the operation is part of a larger project, it may be irrelevant to carry out the financial analysis on the sole operation. The MA should verify that the analysis was done on a self-sufficient unit of analysis, and that the project net revenue was allocated to the operation pro rata to the eligible cost of the operation in the project investment cost.

In line with paragraphs 2 to 5 of Article 61 CPR, the eligible expenditure of the operation shall be reduced in advance taking into account the potential net revenue of the operation, which shall be determined by one of the following methods:

- Application of a flat rate net revenue percentage for the sector or subsector;
- Calculation of discounted net revenue of the operation;
- Decrease of maximum co-financing rate for all operations of the corresponding programme priority/measure.

The choice of the method shall be made in accordance with national rules.

Where the second method is applied, the net revenue generated during operation implementation, resulting from sources of revenue not taken into account in determining the potential net revenue of the operation, shall be deducted no later than in the final payment claim submitted by the beneficiary.

The MA should provide adequate guidance to beneficiaries. In particular, the MA should give indications about the methodology to be applied by the beneficiaries for the forecast of future net revenue. The guidance should also clarify the rules on the choice of the method for determining the potential net revenue. Where the chosen method is the calculation of the discounted net revenue, the guidance should provide detailed information on the parameters applicable in the calculation, such as the length of the reference period, the discount rate, the calculation of the residual value, etc.

The MA, as part of its management verifications, should check that the rules and guidelines have been followed, and that the assessment of revenue-generating operation has been carried out properly and is fully documented. When assessing the accuracy of net revenue calculation, the MA should verify in particular:

- the reasonableness and disclosure of any assumptions made regarding the forecast revenue and cost in the situations with and without operation, considering any available historical data, the category of investment concerned, the type of project, the profitability normally expected from the type of investment concerned, the application of the polluter-pays principle and any available historical data;

- the direct link between the assessment and above assumptions;

- the application of the recommended calculation parameters (length of the reference period, etc.);

- the correctness of the calculations.

Where the chosen method is the calculation of the discounted net revenue, the MA should check in particular during the management verifications that any revenue generated before operation completion was taken into account as a source of revenue in the calculation of the discounted net revenue, or that it is/will be deducted from the total eligible expenditure declared by the beneficiary. In general, proportionate procedures depending on the size of the financial assistance granted to the operation may be adopted for the forecast and the verification of the net revenue generated.

Pursuant to Article 61(6) CPR, where it is objectively not possible to estimate the revenue in advance, the net revenue generated within three years of the completion of the operation or by the programme closure deadline, whichever is earlier, must be deducted from the expenditure declared to the Commission.

A system should be established to allow the MA to flag those operations that fall under Article 61(6) CPR, and to monitor and quantify their net revenue at the latest before programme's closure. As part of its on-the spot management verifications and after the operations completion, the MA should set up procedures to verify the accuracy of the net revenue that beneficiaries have reported.

Article 61(7) CPR stipulates among others in point b) that Article61 is not applicable to operations whose total eligible cost does not exceed EUR 1 000 000. Therefore, the MA should ensure that any operation that gets an increase of its total eligible cost from below to above the EUR 1 000 000

threshold after its initial recording in the information system of the MA shall be subject to the requirements of the said Article 61.

Operations generating revenue during their implementation and to which paragraphs 1 to 6 of Article 61 CPR do not apply

In accordance with Article 65(8) CPR, the eligible expenditure of the operation shall be reduced by the net revenue not taken into account at the time of approval of the operation and directly generated only during its implementation, no later than at the final payment claim submitted by the beneficiary. Where not all the costs are eligible for co-financing, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the cost. This provision shall not apply to operations for which the total eligible cost does not exceed EUR 50 000.

Based on this Article, the MA should extend the verification of revenue generation aspect to all operations with total eligible cost exceeding EUR 50 000 and which do not fall under the other exceptions mentioned at Article 65(8) CPR This includes in general the operations that do not fall under Article 61 CPR.

Concerning the use of simplified costs in operations generating net revenue, please refer to section 7.4 of the specific Commission guidance (EGESIF_14-0017 of 6/10/2014).

2.6. Durability of operations

Pursuant to Article 71 CPR, the MA must ensure that an operation retains the contribution from ESIF only if that operation does not, within five years from the final payment to the beneficiary or the period applicable to State aid , undergo a substantial modification defined in Art 71.1 a-c). Period of ten years is set for cases when the productive activity is relocated outside the EU. Specific conditions apply to SME, financial instruments, natural persons subsequently receiving support from EGF and operations that are not investment in infrastructure or productive investment.

As part of its verifications and after the completion of operations, the MA should check compliance with these conditions, including by on-the-spot verifications on a sample basis. Any amounts identified as having been unduly paid shall be recovered.

2.7. Equality and non-discrimination

Pursuant to Article 7 CPR management verifications should check that operations respect and promote equality between men and women and that the integration of the gender perspective has been applied during the various stages of implementation of the ESIF. This involves a gender mainstreaming approach ensuring that all operations openly and actively take into account their effects on the respective situation of women and men, with a view to overcoming inequalities. All programmes should contribute to improved equality between men and women, and should be able to demonstrate the impact in this respect, prior to, during and after implementation. Management verifications should comply with the Charter of Fundamental Rights.

In addition, verifications should also check that appropriate steps have been taken to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementation of the ESIF and, in particular, in the access to them.

Checklists used for management verifications should therefore, where relevant, include questions dealing with the respect of the principles of equality and non-discrimination. Management verifications should check the actual performance of co-financed programmes and operations against the target indicators throughout the programming period. The MA should check that appropriate steps have been taken during the implementation of the operation to comply with the relevant conditions set out in the contract. Accessibility for disabled people is one of the criteria to be observed in defining operations co-financed by ESIF and to be taken into account during the various stages of implementation.

Provisions on accessibility for disabled persons are mentioned in the EU public procurement Directives and they state that, whenever possible, the technical specifications set out in the contract documentation, such as contract notices, contract documents or additional documents should be defined so as to take into account accessibility criteria for people with disabilities or design for all users. Management verifications should check that operations respect these provisions regarding accessibility. In particular, on the spot verifications should check whether the technical specifications or any other provisions set in the contract documentation to ensure accessibility have been adequately implemented.

2.8. European territorial cooperation goal (ETC)

Under the ETC, the ERDF focuses its assistance on the development of cross-border economic, social and environmental activities, the establishment and development of trans-national cooperation and the reinforcement of the effectiveness of regional policy. The structure of ETC Programmes can be complex and may involve co-operation between different combinations of Member States/regions and non-Member States. Due to this complexity it is considered appropriate to provide guidance on verifications in this area.

By virtue of Article 4 of the ETC Regulation and by way of derogation from the general provisions for the management of mainstream programmes where the MA is responsible for verifying the legality and regularity of the expenditure, under ETC this responsibility lies with the participating Member States or third countries. They must set up control systems and designate staff carrying out management verification who in turn carry out the verification of the legality and regularity of the expenditure declared by each beneficiary participating in the operation. The MA shall satisfy itself that the expenditure of each beneficiary participating in an operation has been validated by a designated controller referred to in Article 23(4) of the ETC Regulation.

In order to validate the expenditure, pursuant to Article 23(4) of the ETC Regulation, each Member State or third country shall set up a control system making it possible to verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure and of related operations, or parts of those operations, with Union rules and its national rules.

For this purpose each Member State or third country shall designate the staff carrying out management verification responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation. Participating countries may decide to designate a single controller for the whole programme area. Where the delivery of the co-financed products and services can be verified only in respect of an entire operation, the verification shall be performed by the MA of by the controller of the Member State where the lead beneficiary is located..

The content and scope of the verifications by the staff carrying out management verification is identical to that of a MA for the mainstream OPs. Staff carrying out management verification must verify that the co-financed products and services have been delivered and that the expenditure declared by beneficiaries for operations has actually been incurred and complies with Union and national rules. For this purpose they have to perform administrative verifications in respect of each application for reimbursement by beneficiaries and on-the-spot verifications of individual operations, which could be carried out on a sample basis.

The general principles outlined earlier in this document regarding the timing, scope and intensity of the verifications, the organisation of on-the-spot verifications, the requirement to document the work done and the functional segregation of duties as regards verification and audit work are also applicable to the work of staff carrying out management verification. Furthermore, the staff carrying out management verification should verify that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or accounting code for all transactions relating to the operation.

The most common issues identified by the Commission services relating to operations co-financed in ETC programmes during the 2007-2013 programming period are: weak audit trail, missing staff costs, overheads and general administrative costs justifications, weaknesses in public procurement procedures, revenue generated by operations not taken into account and incomplete verifications checklists were amongst the main audit findings by the Commission. The audits of the Commission showed that centralized management verifications done by structures subordinated to the MA function more efficiently than other systems. Under the other type of control system the control risk is higher (multiple staff carrying out management verification, no standard quality procedures), verifications focus mainly on financial control and there is difficulty for the MA/JTS to monitor the controls.

Best practice indicates that centralized management verifications system diminishes the control risk, there is better understanding and more familiarity with EU regulations when staff carrying out management verification are also responsible for the mainstream programmes. Article 23.4 of the ETC Regulation states that the staff carrying out management verification may be the same bodies responsible for carrying out such verifications for the operational programmes under the Structural funds or, in the case of third countries, for carrying out comparable verifications under the external policy instrument of the Union. It is advisable to put in place measures to ensure coherence among staff carrying out management verification from all countries participating in the programme. In particular, harmonization of the checklists that are used for the management verifications is recommended (such as the HIT – Harmonisation implementation tools prepared by Interact). This facilitates the monitoring by the MA/JTS of the quality of controls carried out for operations co-financed under an ETC operational programme.

Under the ETC goal, Article 13.1 of ETC Regulation requires that a lead beneficiary be appointed for each operation. The lead beneficiary should ensure that both the expenditure presented by each of the beneficiaries participating in the operation has been incurred for the purpose of implementing the operation and corresponds to the activities agreed between those beneficiaries, and that the expenditure presented by each of the beneficiaries participating in the operation has been validated by the staff carrying out management verification. The scope of the work of the controller responsible for the lead beneficiary should therefore include a verification of how the lead beneficiary complies with these obligations. As regards the role of the MA, it has to satisfy itself that the expenditure of each beneficiary participating in an operation has been validated by the staff

carrying out management verification.

Best practice in this area would allow for details of the work done by each of the staff carrying out management verification to be made available to the controller of the lead beneficiary, the lead beneficiary and to the MA. This requirement could be included in the terms of reference of the staff carrying out management verification on their appointment.

Where part of an operation is implemented outside the European Union and where a controller has not been appointed, specific arrangements should be made in order to define which controller or entity is responsible for verifying the legality and regularity of the expenditure. Similar arrangements should be made for the verification of expenditure made in the European Union when it is outside of the territory of the participating Member States.

The MA and the JTS should ensure the independence and the separation of the first level controller function from the statutory audit function and/or from any other role the appointed first level controller might hold within the beneficiary (consultancy work, accountancy work, payroll preparation work, etc.). The first level controller organisation structure and its audit work review process shall be fully independent from the statutory auditor function and or any other role held within the beneficiary.

2.9. Youth Employment Initiative (YEI)

The additional specific requirements to verify consist in checking whether participants are eligible for the YEI (age group, status, place of residence) and that the beneficiary ensured that those taking part in an operation are specifically informed of the YEI support provided through the ESF funding, as well as about the specific YEI allocation. Any document relating to the implementation of an operation which is used for the public or for participants, including an attendance or other certificate shall include a statement to the effect that the operation was supported under the YEI.

2.10. Simplified costs options

Reference:

(i) Guidance on simplified costs options (EGESIF_14-0017 of 6/10/2014)

(ii) Articles 67 and 68 of Regulation (EU) No 1303/2013 and Article 14 of Regulation (EU) No 1304/2013 and 19 of Regulation (EU) No 1299/2013

For the unit costs and lump sums the management verifications will check whether the conditions for reimbursement set in the agreement between the beneficiary and MA have been met and that the agreed methodology has been correctly applied[29]. In addition the management verification should verify that the operation/project is not implemented exclusively through the public procurement [30]. The supporting documents will be required to justify the quantities declared by the beneficiary. In particular for "intangible" operations, the focus will move towards technical and physical aspects of operations, with a particular importance of on-the-spot verifications during the implementation period.

[29] Please note that it is not applicable to Article 14(1) of Regulation (EU) 1304/2014.

[30] Please note that it not applicable to Article 14(1) of Regulation (EU) 1304/2014 and to projects supported within the framework of a Joint Action Plan.

In case of flat rate financing, where applicable, the verification should also check whether:

- costs have been correctly allocated to a given category,
- there is no double declaration of the same cost item,
- the flat rate has been correctly applied,
- the amount charged based on flat rate has been proportionally adjusted if the value of the category of costs to which it was applied had been modified, and
- if applicable, that outsourcing has been taken into account (e.g. the flat rate is mitigated in case that part of the operation/project is outsourced).

2.11. Performance indicators

Reference:

(i) ***Article 50(2) of Reg. (EU) No 1303/2013 about implementation reports***

(ii) ***Article 125 of Reg. (EU) No 1303/2013 about the functions of the managing authority***

(iii) ***Article 25(1)i of 9 of Delegated Regulation (EU) No 480/2014***

(iv) ***Guidance Document on Monitoring and Evaluation – European Regional Development Fund and Cohesion Fund – January 2014***

(v) ***Guidance Document on Monitoring and Evaluation – European Social Fund, May 2014***

Article 50(2) CPR stipulates that annual implementation reports shall set out key information on programme implementation by reference to common and programme-specific indicators and quantified target values. The data transmitted shall relate to values for indicators for fully implemented operations and also, where possible, for selected operations. In ESF, data transmitted for output and result indicators shall relate to values for partially and/or fully implemented operations. Reporting on selected operations is not required for the ESF.

Article 125(2)(a) CPR requires that the MA should provide the monitoring committee with data relating to the progress of the operational programme in achieving its objectives, financial data and data relating to indicators and milestones.

Article 125(2)(d) CPR requires that MA record and store in computerized form data on each operation necessary for monitoring, evaluation, including data on individual participants in operations, where applicable. For the ESF, the data shall be recorded and stored in a way that allow the MA to perform the tasks related to monitoring and evaluation in conformity with the requirements set out in Article 56 CPR and Articles 5 and 19 and Annexes I and II of Regulation (EU) No 1304/2013.

Article 125(3)(a) CPR sets out that the MA should apply operation selection procedures that ensure the contribution of the selected operations to the achievement of the specific objectives and results of the relevant priority.

Article 25(1)(i) of Commission Delegated Regulation (EU) No 480/2014 requires that the audit trail shall allow data in relation to output indicators for the operation to be reconciled with targets and reported data and result for the programme.

The management verifications should ensure, on the basis of the data reported by the beneficiaries at operation level, that the data, aggregated or micro data, related to indicators and target values at investment priority, priority or programme level is timely, complete and reliable.

The verifications should check key requirements concerning data collection, storage and quality. The lack of data quality and consequently, the reliability of the monitoring system, is subject to suspension of payments. In particular, the MA is required to ensure data quality through checking their completeness and consistency.[31]

Monitoring of the progress in operation's implementation through review of indicators (and micro-data for the ESF operations) shall be incorporated in the administrative verification of application for reimbursement made by the beneficiary. During the verification of application for reimbursement, where appropriate, the MA should check progress in the attainment of indicators. At the stage of final application for reimbursement, the MA should verify whether the relevant information is provided by the beneficiary, i.e. information on the actual contribution to the output and results indicator(s), whether all agreed indicators have been attained, where applicable, and, where relevant, justification of the difference between the committed and the actual contribution. The MA shall adjust beneficiaries' application for reimbursement templates in order to enable for timely and correct reporting on indicators. The management verification checklist should include appropriate questions.

On-the-spot verifications should verify the correctness of the data communicated by the beneficiaries in relation to the indicators. The correct understanding of the indicator by the beneficiary and the values reported should be checked. If the beneficiary was responsible for inputting information on indicators into the IT system, the correctness of this process should be subject to verifications at least on the spot.

Each participant shall be registered only once within one operation (e.g. one trainee shall be registered only once although he/she can participate on several different activities within one operation). Guidance on participation records can be found in the Guidance document on Monitoring and Evaluation, European Social Fund.

[31] Guidance document on Monitoring and Evaluation, European Social Fund, chapter 2 of Annex D.

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N.º 01/AD&C/2015 - Data: 2015/02/13

Anexo 4

Guidance for Member States and Programme Authorities on fraud risk assessment and effective and proportionate anti-fraud measures (EGESIF_14-0021-00-final, de 16/06/2014)

EGESIF_14-0021-00
16/06/2014

EUROPEAN COMMISSION
DIRECTORATE-GENERAL

European Structural and Investment Funds

Guidance for Member States and Programme Authorities

Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures

June 2014

DISCLAIMER:

"This is a working document prepared by the Commission services. On the basis of applicable EU law, it provides technical guidance for public authorities, practitioners, beneficiaries or potential beneficiaries, and other bodies involved in the monitoring, control or implementation of the European Structural and Investment Funds on how to interpret and apply EU rules in this area. The aim of this document is to provide Commission services' explanations and interpretations of the said rules in order to facilitate programme implementation and to encourage good practice(s). However this guidance 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

CA – Certifying Authority

"the CPR" – Common Provisions Regulation (Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013, laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006)

ERDF – European Regional Development Fund

ESF – European Social Fund

The Financial Regulation – Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities

"the Funds" – for this document specifically, this means: the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund

IB – Intermediate Body

MA – Managing Authority

OLAF – European Anti-Fraud Office

EXECUTIVE SUMMARY

This guidance note provides assistance and recommendations to managing authorities (MAs) for the implementation of Article 125(4)(c) CPR, which lays down that the MA shall put in place effective and proportionate anti-fraud measures taking into account the risks identified. The Commission also provides guidance for the audit authority's (AA) verification of the compliance of the MA with this article.

The Commission recommends that MAs adopt a **proactive, structured and targeted approach to managing the risk of fraud**. For the Funds, the objective should be proactive and proportionate anti-fraud measures with cost-effective means. All programme authorities should be committed to zero tolerance to fraud, starting with the adoption of **the right tone from the top**. A well-targeted fraud risk assessment, combined with a clearly communicated commitment to combat fraud can send a clear message to potential fraudsters. Effectively implemented robust control systems can considerably reduce the fraud risk but cannot completely eliminate the risk of fraud occurring or remaining undetected. This is why the systems also have to ensure that procedures are in place to detect frauds and to take appropriate measures once a suspected case of fraud is detected. The guidance is intended to help as a step-by-step guide to addressing any remaining instances of fraud once other sound financial management measures have been put in place and are implemented effectively. However, the overall objective of the regulatory provisions is cost-effective fraud risk management and the implementation of effective and proportionate anti-fraud measures, which in practice means **a targeted and differentiated approach for each programme and situation**.

Therefore, the fraud risk self-assessment tool which is attached to this guidance note, together with detailed instructions, can be used to assess the impact and likelihood of common fraud risks occurring. Secondly, the guidance indicates the recommended mitigating controls which could help further reduce any remaining risks, not yet effectively addressed by current controls. The operational objective for the MA should be to deliver fraud responses which are proportionate to the risks and tailored to the specific situations related to the delivery of the Funds in a particular programme or region. Notably, following this risk assessment and related mitigating controls put in place at system level, managing authorities are recommended to address specific situations which may arise at the level of implementation of operations by further developing specific fraud indicators (red flags) and by ensuring effective cooperation and coordination between the managing authority, the audit authority and investigative bodies. The Commission will also assist Member States by offering a specific risk scoring tool, ARACHNE, which will help to identify, prevent and detect risky operations, projects, beneficiaries and contracts/contractors and will serve also as a preventive instrument.

The fraud risk self-assessment proposed by the Commission is straightforward, logical and practical and is based on five main methodological steps:

1. Quantification of the risk that a given fraud type would occur by assessing impact and likelihood (gross risk).
2. Assessment of the effectiveness of the current controls in place to mitigate the gross risk.
3. Assessment of the net risk after taking into account the effect of any current controls and their effectiveness i.e. the situation as it is at the current time (residual risk).

4. Assessment of the effect of the planned mitigating controls on the net (residual) risk.
5. Defining the target risk, i e the risk level which the managing authority considers tolerable after all controls are in place and effective.

Finally, the Commission plans to provide targeted roll-out support, when needed, to assist Member States in implementing Article 125(4)(c) CPR and this guidance.

1. INTRODUCTION

1.1. Background

According to Article 59(2) of the Financial Regulation, Member States shall take all necessary measures, including legislative, regulatory and administrative measures, to protect the EU's financial interests, namely by preventing, detecting and correcting irregularities and fraud.

The CPR includes specific requirements in relation to Member States' responsibility for fraud prevention. This guidance on fraud risk management is addressed to the MAs and AAs of the European Regional Development Fund (ERDF), the Cohesion Fund and the European Social Fund (ESF) and the European Maritime and Fisheries Fund (EMFF).

Apart from Article 72(h) CPR , which sets out that the management and control systems shall provide for the prevention, detection and correction of irregularities, including fraud, and the recovery of amounts unduly paid, together with any interest, 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**.

Fraud and corruption risks should be adequately managed. MAs have a responsibility to demonstrate that attempts at defrauding the EU budget is unacceptable and will not be tolerated. Dealing with fraud, and its causes and consequences, is a significant challenge to any management, as fraud is designed to avoid detection. MAs are also advised to take notice of Transparency International's *Corruption Perception Index*[1] and the EU anti-corruption report prepared by the Commission[2], when assessing to what extent its overall operating environment is perceived to be exposed to potential corruption and fraud.

The potential for fraud cannot be ignored and should be seen as a set of risks to be adequately managed alongside other business risks or potentially negative events. Assessment of fraud risks can therefore be carried out using existing risk management principles and tools. Effectively implemented robust control systems can reduce the risk that fraud occurs or remains undetected but cannot eliminate the likelihood of fraud occurring. The overall objective should be to address the main fraud risks in a targeted manner, keeping in mind that – apart from baseline requirements – the overall benefit of any additional anti-fraud measures should exceed their overall costs (the principle of proportionality), taking also into account the high reputational cost linked to fraud and corruption.

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1 http://cpi.transparency.org/cpi2012

2 Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee of 6 June 2011 – Fighting corruption in the EU (COM(2011)308 final).

In order to assess the impact and likelihood of any potential fraud risks which could harm the EU's financial interests, the Commission recommends that MAs use the attached fraud risk assessment tool in **Annex 1**. The assessment should be carried out by a self-assessment team set up by the MA[3]. The list of recommended but non-binding mitigating controls which the MA could put in place, in response to any remaining risks, is indicated in **Annex 2.** These proportionate measures could help further mitigate any remaining risks identified in the self-assessment, not yet effectively addressed by current controls.

Moreover, a voluntary template for an anti-fraud policy statement is also proposed at **Annex 3**, for the benefit of those MAs which wish to set out their anti-fraud programme in a policy statement, which communicates internally and externally their official position with regard to fraud and corruption.

In order to complement this guidance, the Commission also provides guidance for the AA's verification of the work done by the MA in the context of the fraud risk assessment and the corresponding measures it has put in place to mitigate the fraud risks. The checklists in **Annex 4** may prove useful in view of the systems audits to be performed by the AAs under Article 127 CPR. They will be used for the Commission's own risk assessment purposes and may also be useful for the purpose of the report and opinion of the independent audit body responsible for the assessment of the management and control system in view of the designation of MAs referred to in Article 124(2) CPR.

1.2. A proactive, structured and targeted approach to managing fraud risk

The attached practical fraud risk self-assessment tool targets the main situations where key processes in the implementation of the programmes could be most open to manipulation by fraudulent individuals or organisations, including organised crime, the assessment of how likely and how serious these situations could be and, what is currently being done by the MA to tackle them. Three selected key processes considered to be most exposed to specific fraud risks are targeted:

- selection of applicants;
- implementation and verification of the operations;
- certification and payments.

The end output of the fraud risk assessment is the identification of those specific risks where the self-assessment concludes that not enough is currently being done to reduce the likelihood or impact of the potentially fraudulent activity to an acceptable level. This assessment will then form the basis for responding to the deficiencies by choosing effective and proportionate anti-fraud measures from the list of recommended mitigating controls. In some cases, the conclusion could be that most residual risks have been addressed and that therefore very few, if any, additional anti-fraud measures are required. In all assessment scenarios, it would be expected that arguments can be provided by the MA to support its conclusions.

[3] In the case of European territorial cooperation, as MAs are responsible for all functions, the risk assessment should take into account fraud risks across the whole programme area and should seek to ensure that effective and proportionate anti-fraud measures are put in place, as necessary.

2. DEFINITIONS

This risk assessment deals only with specific fraud risks, not irregularities. **However, indirectly, effective implementation of the exercise may also have an impact on prevention and detection of irregularities at large**, being understood as a larger category than fraud.

It is the element of intention which distinguishes fraud from irregularity.[4]

2.1. 2.1. Definition of irregularity

For the purposes of Council Regulation (EC) No 2988/95 of 18 December 1995[5] on the protection of the European Communities' financial interests, the term irregularity is a wide concept and covers both intentional and non-intentional irregularities committed by economic operators.

Article 1(2) of Regulation (EC) No 2988/95[5] defines **"irregularity"** as:

"any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure".

2.2. 2.2. Definition of fraud in the Treaty

The Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests[6] defines **"fraud",** in respect of expenditure, as any intentional act or omission relating to:

> "- *the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of the European Communities;*
>
> *- non-disclosure of information in violation of a specific obligation, with the same effect;*
>
> *- the misapplication of such funds for purposes other than those for which they were originally granted."*

2.3. Definition of corruption

A broad definition of corruption used by the Commission is the abuse of (public) position for private gain. Corrupt payments facilitate many other types of fraud, such as false invoicing, phantom expenditure or failure to meet contract specifications. The most

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4 The reasons behind fraudulent behaviour have been dealt with in COCOF 09/0003/00 of 18.2.2009 - Information Note on Fraud Indicators for ERDF, ESF and CF.

5 OJ L 312, 23.12.1995, p. l.

6 OJ C 316, 27.11.1995, p. 49.

common form of corruption is corrupt payments or other advantages; a receiver (passive corruption) accepts a bribe from a giver (active corruption) in exchange for a favour.

3. FRAUD RISK SELF-ASSESSMENT

3.1. The tool

The main objective of the fraud risk assessment tool at **Annex 1** is the facilitation of a self-assessment by the MA of the impact and likelihood of specific fraud scenarios occurring. The specific fraud risks which should be assessed were identified through knowledge of previous fraudulent cases encountered in cohesion policy, as well as commonly recognised and recurring fraud schemes. In other words, the tool has been pre-filled with a set of recognised specific risks. Any other known risks for the specific programme/region under assessment should be added by the self-assessment team (see section 3.2 below).

The guidance in Annex 1 explains in detail how to complete the fraud risk assessment tool.

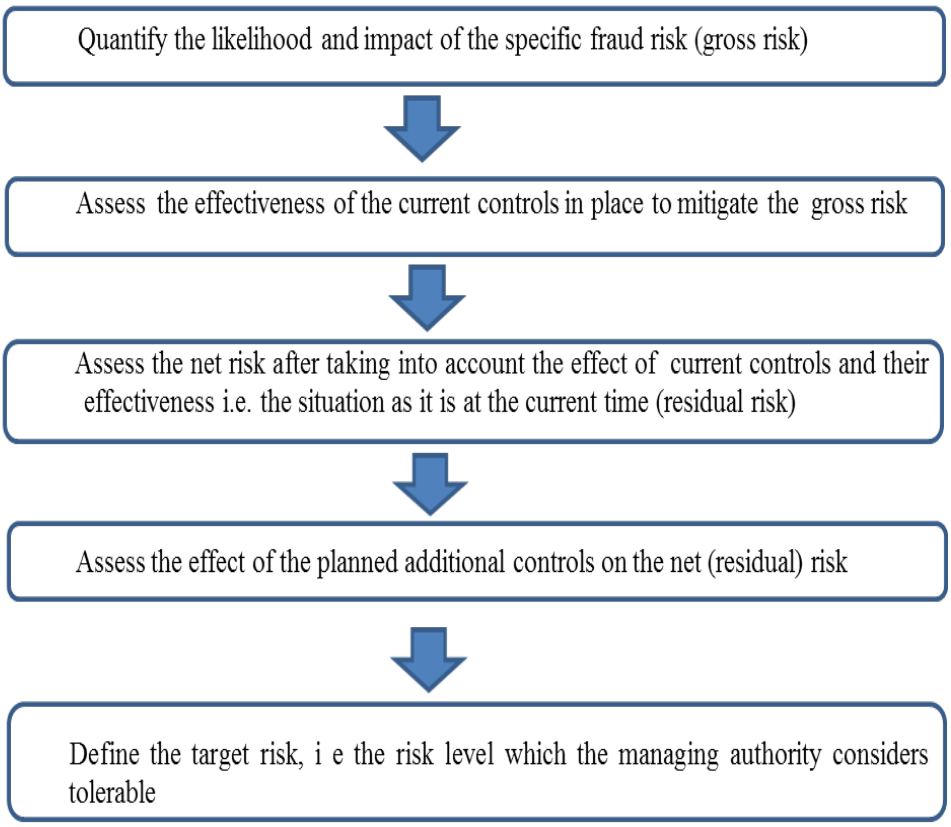
The tool covers the likelihood and impact of specific and commonly recognised fraud risks particularly relevant to the key processes:

- selection of applicants (worksheet 1 of the spreadsheet);
- implementation of the projects by the beneficiaries, focusing on public procurement and labour costs (worksheet 2);
- certification of costs by the MA and payments (worksheet 3).

Each section is preceded by a cover sheet, which lists the specific risks relevant to the section.

Moreover, the MA is recommended to assess the overall fraud risks in relation to public procurement contracts it may manage directly, e.g. in the context of procuring technical assistance (worksheet 4). I the MA does not carry out any public procurement for which a fraud risk assessment is necessitated, section 4 need not be filled in.

The methodology for this fraud risk assessment has **five main steps**:



For each of the specific risks, the overall objective is to assess the 'gross' risk of particular fraud scenarios occurring, and then to identify and assess the effectiveness of controls already in place to mitigate against these fraud risks either from occurring or ensuring that they do not remain undetected. The result will be a 'net' current risk which should lead an internal action plan to be put in place when the residual risk is significant or critical in order to improve controls and further reduce the exposure of the Member State to negative consequences (i e putting in place any additional effective and proportionate anti-fraud measures, as necessary – see the list of recommended mitigating controls[7] in **Annex 2**).

3.2. Composition of the self-assessment team

Depending on the size of the programme and of the MA, it may be that each of the implementation processes is executed by different departments within the MA. It is recommended that the most relevant actors take part in the assessment in order that it is as honest and accurate as possible and so that it can be done in an efficient and smooth way. The assessment team could therefore include staff from different departments of the MA having different responsibilities, including selection of operations, desk and on the spot verification and authorisation of payments, as well as representatives from the certifying authority (CA) and implementing bodies. MAs may want to consider involving the Anti-Fraud Coordination Services ('AFCOS') or other specialised bodies, which could bring in specific anti-fraud expertise into the assessment process.

[7] These constitute **non-binding suggestions** for additional controls in order to further mitigate the residual risk.

As the AA will audit the completed risk assessment, it is recommended that it does not take a direct role in deciding on the level of risk exposure, but it could be envisaged to participate in the assessment process in an advisory role or as an observer.

For obvious reasons, the self-assessment should not be outsourced as it requires a good knowledge of the operating management and control system and the programme's beneficiaries.

3.3. Frequency of the self-assessment

First, compliance with the requirements for adequate procedures for putting in place effective and proportionate anti-fraud procedures are part of the designation criteria for MAs.

The recommendation is that this tool should be completed in full on an annual basis, as a general rule, or every second year. However, more regular reviews of progress against action plans related to additional controls which were put in place, changes to the risk environment and the continuing adequacy of assessment scores may be necessary (e.g. through management meetings). When the level of risks identified is very low and no instances of fraud were reported during the preceding year, the MA may decide to review its self-assessment only each second year. The occurrence of any new fraud instance, or main changes in the MA procedures and/or staff, should immediately lead to a review of perceived weaknesses in the system and of relevant parts of the self-assessment.

4. GUIDANCE ON MINIMUM REQUIREMENTS FOR EFFECTIVE AND PROPORTIONATE ANTI-FRAUD MEASURES

Whereas this section provides general guidance on principles and methods which should be employed by the MA to combat fraud, **Annex 2** provides for each specific risk identified in the fraud risk assessment, the recommended non-binding mitigating controls which could be put in place in order to seek to reduce the risks to an acceptable level.

The minimum standards set out in this chapter which MAs are recommended to comply with relate to the anti-fraud cycle.

In order to successfully tackle the issue of fraud, the Commission recommends that the MA develop a structured approach to tackling fraud. There are four key elements in the anti-fraud cycle: prevention, detection, correction and prosecution. The combination of a thorough fraud risk assessment, adequate preventative and detective measures, as well as coordinated and timely investigations by competent bodies could significantly reduce the fraud risk as well as provide adequate deterrence against fraud.

4.1. Anti-fraud policy

Many organisations use an anti-fraud policy to communicate their determination to combat and address fraud. Within any such policy, which should be simple and focused, the following topics should be covered:

- Strategies for the development of an anti-fraud culture;
- Allocation of responsibilities for tackling fraud;
- Reporting mechanisms for suspicions of fraud;
- Cooperation between the different actors.

This policy should be visible within an organisation (distributed to all new staff, included on intranet) and it should be clear to staff that it is actively implemented, via avenues such as regular updates on fraud matters and reporting of outcomes of investigations into fraud. See the suggested template for an anti-fraud policy in **Annex 3**, which provides a voluntary template for an anti-fraud policy statement for the benefit of those MAs which wish to go beyond the immediate regulatory requirements and to formalise and communicate internally and externally their official position with regard to fraud and corruption.

4.2. Prevention

If the MA demonstrates a clear commitment to combat fraud and corruption, raises awareness about its preventative and detective controls, and is determined in transmitting cases to the competent authorities for investigations and sanctions, it will send a clear message to any potential perpetrators and could change behaviours and attitudes towards fraud.

Given the difficulties in proving fraudulent behaviour and repairing reputational damage, it is generally preferable to prevent fraudulent activity rather than to have to deal with it after the event. Prevention techniques most often revolve around reducing opportunities to commit fraud via the implementation of a robust internal control system, combined with a proactive, structured and targeted fraud risk assessment, but comprehensive training and awareness raising activities and the development of an **'ethical' culture** can also be used to combat any potential 'rationalisation' of fraudulent behaviour.

The strongest preventative defence against fraud is the operation of a robust system of internal control which should be designed and operated as a proportionate response to the risks identified during a risk assessment exercise. An organisation should however also work to create the right structures and culture to discourage potential fraudulent behaviour.

4.2.1. Ethical culture

The creation of an anti-fraud culture is key both in deterring potential fraudsters and also in maximising the commitment of staff to combat fraud within the MA. This culture can be created by a combination of specific anti-fraud structures and policies, as shown in the second circle in the above diagram and discussed in more detail below, but also through the operation of more general mechanisms and behaviours:

- **Mission statement** – a clear expression, visible to all internal and external observers, that the MA is striving to achieve the highest ethical standards;
- **Tone from the top** – oral and/or written communication from the highest level of the MA that the highest standard of ethical behaviour is expected from staff and beneficiaries (the latter can be implemented through the grant letters and contracts);
- **Code of conduct** – a unambiguous code of ethics that all staff must routinely declare adherence to, covering such things as:
  - Conflicts of interest – explanation and requirements and procedures for declaring them;
  - Gifts and hospitality policy – explanation and responsibilities of staff for compliance;
  - Confidential information – explanation and responsibilities of staff;
  - Requirements for reporting suspected fraud.

In short, staff should comply with principles such as integrity, objectivity, accountability and honesty.

4.2.2. Allocation of responsibilities

Within the MA, there should be a clear allocation of responsibilities for setting up management and control systems which comply with EU requirements and for verifying that these systems function effectively in preventing, detecting and correcting fraud. This is to ensure that all actors fully understand their responsibilities and obligations, and to communicate both internally and externally, towards all potential programme beneficiaries, that the organisation has a coordinated approach towards combatting fraud.

4.2.3. Training and awareness raising

Formal training and awareness-raising can be included within the organisation’s overall risk management strategy, as necessary. All staff could be trained on both theoretical and practical matters, both to raise awareness of the MA's anti-fraud culture and also to assist them in identifying and responding to suspected instances of fraud. It could cover the detail of any anti-fraud policy, specific roles and responsibilities and reporting mechanisms.

Awareness-raising can also be carried out via less formal avenues, such as through newsletters, posters, intranet sites or inclusion as a regular agenda item for group meetings.

4.2.4. Internal control systems

The strongest defence against potential fraud is a well-designed and operated system of internal control, where controls are focused at effectively mitigating the identified risks.

Management verifications must be thorough and the associated on-the-spot controls must be risk-based and carried out with sufficient coverage. **The likelihood of detecting potential fraud cases will increase when management verifications are thorough**. Staff in charge of desk and on-the-spot management verifications should be aware of the Commission and any national guidance on fraud indicators (see below).

4.2.5. Data analytics and the ARACHNE tool

With the growth in sophistication of data gathering, storage and analytics comes an opportunity in the fight against fraud. Within and taking duly into account the limits of the respective legislation in each Member State, data analytics can be used at this stage to significantly enrich the risk assessment process, cross-check data with other public or private sector organisations (e g tax authorities, government departments, credit checking authorities) and detect potentially high risk situations even prior to the award of funding.

In the framework of the fight against fraud (and irregularities), the Commission offers a specific data mining tool called ARACHNE to MAs in order to identify projects which might be susceptible to risks of fraud, conflict of interest and irregularities. ARACHNE is a risk-scoring tool which can increase the efficiency of projects' selection, management verifications and audit, and further strengthen fraud identification, prevention and detection. It has been developed by the Commission and is particularly suited for the identification and assessment of fraud risks in the Funds, including, among other areas, public procurement, an area particularly prone to fraud and irregularities, such as collusive bidding.

The Commission submitted through the Data Protection Office on 17 May 2013 the required notification for prior checking concerning the processing of personal data to the European Data Protection Supervisor who, after thoroughly checking the relevant legal basis, issued on 17 February 2014 a positive opinion concerning the compliance of ARACHNE with the provisions of Regulation (EC) No 45/2001[8]. This included certain considerations concerning the processing of special categories of data in order to ensure their necessity, proportionality and quality. Other recommendations related to the feedback loop to ensure accuracy of data, measures to ensure high data quality, case-by-case analysis of data transfers to OLAF and the European Court of Auditors, deletion of data after a reasonable period of time and information to data subjects. All these considerations and recommendations are being thoroughly analysed in view of their implementation by the Commission.

[8] Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.

The correct use of ARACHNE will be considered by the Commission as a good practice in order to identify red flags and target fraud combatting measures, and should be taken into account when assessing the adequacy of current preventive and detective controls in place. The tool will be gradually rolled out in 2014 to all those Member States that voluntarily decide to implement it in order to further improve their fraud risk management controls. As opposed to a "one-size-fits-all" approach, such decision may well vary from Member State to Member State and even within different programmes/regions in a Member State, since, based on the figures shown in the latest PIF report,[9] the factual situation in terms of fraud detected and reported to the Commission also varies widely among Member States.

4.3. Detection and reporting

Preventative techniques cannot provide absolute protection against fraud and so the managing authority need systems that detect fraudulent behaviour in a timely manner. Such techniques include analytical procedures to highlight anomalies (eg data mining tools, such as the ARACHNE tool), robust reporting mechanisms and on-going risk assessments.

A strong ethical culture and a sound system of internal control cannot provide absolute protection against perpetrators of fraud. A fraud strategy must therefore take into consideration that instances of fraud may still occur, for which a series of fraud detection measures must be designed and implemented.

4.3.1. Developing an appropriate mind-set

The MA could address fraud risks with specialised and focused detection techniques with designated individuals having responsibility for conducting them. In addition to this, all of those involved in implementing a structural funding cycle have a role to play in spotting potentially fraudulent activity and then acting upon it. This necessitates the cultivation of an appropriate mind-set. A healthy level of scepticism should be encouraged, together with an up-to-date awareness of what could constitute potential fraud warning signs.

4.3.2. Fraud indicators (red flags)

Fraud indicators are more specific signs or ‘red flags’ that fraudulent activity is taking place, when an immediate response is required to verify whether further action is required.

Indicators can also be specific to those activities frequently taking place under structural funding programmes, such as procurement and labour costs. For this purpose, the Commission has provided the following information to Member States:

- *COCOF 09/0003/00 of 18.2.2009 - Information Note on Fraud Indicators for ERDF, ESF and CF*
- *OLAF Compendium of Anonymised Cases – Structural Actions*
- *OLAF practical guide on conflict of interest*
- *OLAF practical guide on forged documents*

[9] Protection of the European Union’s financial interests — Fight against fraud, 2012 Annual Report. COM(2013)548 final, 24.7.2013.

These publications should be read in detail and the content widely publicised amongst all staff who are in positions in which they could detect such behaviour. In particular, these indicators must be familiar to all of those working in roles involving the review of beneficiary activities, such as those performing both desk-based and on-the-spot management verifications or other monitoring visits.

4.3.3. Reporting mechanisms

The establishment and promotion of clear reporting mechanisms is a key element of prevention, as well as detection. Any such mechanisms should facilitate the reporting of both suspicions of fraud and also control weaknesses that may increase the MA's susceptibility to fraud. MAs should have clear reporting mechanisms ensuring **sufficient coordination on anti-fraud matters with the audit authority and competent investigative authorities in the Member State**, including anti-corruption authorities.

Reporting to the Commission on the results of effective anti-fraud measures and any suspected instances of fraud will be part of the annual summary report and management opinion of the MA. The annual control report of the AA will also comprise a section on fraud suspicions detected during the year.

Communication and training with staff about these reporting mechanisms must ensure that they:

- understand where they should report suspicions of fraudulent behaviour or control;
- are confident that these suspicions are acted upon by management;
- are confident that they can report in confidence and that the organisation does not tolerate retaliation against any staff member who reports suspicions.

Suspected fraud must be reported to OLAF by the authority designated by the Member State in line with requirements under Article 122 CPR. In addition, beneficiaries should be made aware of how they can approach OLAF with any information they may have.[10]

4.4. Investigation, correction and prosecution

Once a suspicion of fraud has been raised and correctly reported, the MA must transmit the case to the competent authority in the Member State for investigation and sanctions, including anti-corruption authorities where relevant, and inform OLAF accordingly.

The MA should also conduct a thorough and critical review of any related internal control systems that may have exposed them to the potential or proven fraud.

[10] COCOF 09/0003/00 of 18.2.2009 - Information Note on Fraud Indicators for ERDF, ESF and CF, also contains information on reporting procedures.

Once a case of suspected fraud has been detected and reported in accordance with internal and EU requirements, in order for the competent body to make an assessment whether an investigation should be opened, recovery and criminal prosecution should ensue, as relevant.

4.4.1. Recovery and criminal prosecution

Recovery of undue payments from beneficiaries is required by MAs and CAs and so they should ensure that they have robust processes in place for following up any potential recoveries of EU funds spent in a fraudulent manner. These processes should also be clear on the cases in which civil and criminal proceedings will be pursued. **The implementation of such sanctions, and the visibility of these, are a key deterrent to potential fraudsters** and so the MA should be vigorous in pursuing such outcomes.

4.4.2. Follow-up

Once a fraud investigation has been concluded by competent authorities, or handed over to the relevant authorities for pursuit, a review of any processes, procedures or controls connected to the potential or actual fraud should be conducted. This should be objective and self-critical and should result in clear conclusions about perceived weaknesses and lessons learned, with clear actions, responsible individuals and deadlines. This should also feed into the subsequent review of the self-assessment, as indicated in section 3.3 above.

Full cooperation with investigative, law enforcement or judicial authorities should be ensured, in particular by keeping files concerning fraud cases in safe places and ensure a proper hand over in case of staff mobility.

5. AUDIT BY THE AA OF THE MA'S FRAUD RISK ASSESSMENT AND ITS ANTI-FRAUD MEASURES

5.1. Checklist for AAs

A proposal for a checklist for the AA's audit of the MA's (and its intermediate bodies') compliance with Article 125(4)(c) CPR is at **Annex 4**. This can be part of checklists used by the AA for its system audits.

The check list can also be used by the independent body in charge of assessing the management and control system for the purpose of designation in accordance with Article 124(2) CPR.

5.2. Frequency of the AA's verification

In connection with audits on the functioning of the management and control systems, the AA should carry out verifications of the effective implementation of the anti-fraud measures by the MA as early as possible in the programming period.[11] Depending on the results of such audits and on the identified fraud risk

[11] As regards European territorial cooperation, where it is not possible for the single AA to do this, a group of auditors should assist the AA.

environment, follow-up audits may be carried out as often as necessary. In some cases this may entail annual follow-up audits, depending on the gravity of fraud suspicion for each programme. Here again a targeted and proportionate (risk-related) approach is recommended. The conclusions should be included in the AA's annual control report.

The AA should also systematically review the implementation of effective and proportionate anti-fraud measures at the level of intermediate bodies, as part of its system audits.

Annex 1

1.1. HOW TO USE THE SELF-ASSESSMENT TOOL

The tool covers three key processes under three sections:

– selection of applicants (worksheet 1 of the spread-sheet);

– implementation of the projects by the beneficiaries, focusing on public procurement and labour costs (worksheet 2);

– certification of costs by the MA and payments (worksheet 3).

Each of these three sections, containing the specific risks, which have been numbered (e g SR1, SR2 etc) is preceded by a cover sheet, which lists all the specific risks relevant to the section.

Moreover, the MA is recommended to assess fraud risks in relation to any public procurement it manages directly, e.g. in the context of technical assistance (section 4 on direct procurement). In case the MA does not carry out any public procurement for which a fraud risk assessment is necessitated, section 4 need not be filled in.

Note: only yellow cells should be filled in by the self-assessment team.

RISK DESCRIPTION

To help the team a certain number of risks have been pre-defined in the tool. These pre-defined risks should all be assessed by the team, but if additional risks are identified more rows can be added.

The complete risk description can be found either in the cover sheet (as regards sections 2 and 4) or under the specific risk (sections 1 and 3).

Column Heading	Guidance
Risk Ref	A unique risk reference. The letters refer to the section in which the risk has been identified (SR = Selection of beneficiaries, IR = Implementation and Monitoring, CR = Certification and Payment and PR = Direct Procurement by the MA) and the number is the sequential identification reference. This cell only needs to be completed for new risks added.
Risk Title	This cell only needs to be completed for new risks added.
Risk Description	This cell only needs to be completed for new risks added.

Who is involved in the risk?	Details of the bodies in which the individuals or actors involved in perpetrating any fraud are located are named here e.g. Managing Authority, Implementing bodies, Certifying Authority, Beneficiaries, Third Parties. This cell only needs to be completed for new risks added.
Is the risk internal (within the MA), external or the result of collusion?	Details of whether the fraud would be internal (only within the Managing Authority), external (only within one of the bodies external to the Managing Authority) or a result of collusion (involving one of more of the bodies) are given here. This cell only needs to be completed for new risks added.

2. THE FIVE KEY STEPS IN THE SELF-ASSESSMENT

2.1. Gross risk

Gross risk refers to the level of risk **before taking into account** the effect of any **existing or planned** controls. The quantification of risk normally consists of a combination of the risk **'likelihood'** – how likely is the event to happen and the risk **'impact'** – what consequences will the event have, financially and non-financially. In order to ensure consistency of assessment, a **time horizon** should be set when determining the likelihood, which in this case should be the seven-year programming period.

<table>
<tr><th>Column Heading</th><th>Guidance</th></tr>
<tr><td>Risk Impact (GROSS)</td><td>From the drop-down menu, the risk assessment team should select a risk impact score from 1 to 4, based on the impact that the risk would have if it occurred, according to the following criteria:

<table>
<tr><td></td><td>Reputation</td><td>On Objectives</td></tr>
<tr><td>1</td><td>Limited impact</td><td>Additional work delaying other processes</td></tr>
<tr><td>2</td><td>Minor impact</td><td>Achievement of operational objective delayed</td></tr>
<tr><td>3</td><td>Major impact, e.g. because nature of fraud is particularly serious or several beneficiaries are involved</td><td>Achievement of operational objective endangered or strategic objective delayed</td></tr>
<tr><td>4</td><td>Formal enquiry from stakeholders, e g Parliament and/or negative press</td><td>Strategic objective endangered</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><td>Risk Likelihood (GROSS)</td><td>From the drop-down menu, the risk assessment team should select a risk likelihood score from 1 to 4, based on the likelihood that the risk will occur in the seven-year programming period, according to the following criteria:

<table><tr><td>1</td><td>Will almost never happen</td></tr><tr><td>2</td><td>Will rarely occur</td></tr><tr><td>3</td><td>Will sometimes occur</td></tr><tr><td>4</td><td>Will often occur</td></tr></table></td></tr>
<tr><td>Total Risk Score (GROSS)</td><td>This cell is automatically calculated from the inputs into Risk Impact and Likelihood. It is ranked according to the total score:
1 – 3 – Tolerable (Green)
4 – 6 – Significant (Orange)
8 – 16 – Critical (Red)</td></tr>
</table>

2.2. Current mitigating controls

A certain number of suggested preventative controls have been pre-defined in the tool. **These controls are examples only** can be removed by the assessment team, if the controls do not exist and more rows can be added if there are additional controls in place that counter the identified risk**. It may be that a control currently allocated to one particular risk is also relevant to other risks - in such cases the controls can be repeated several times. In particular, the exercise can be facilitated by making a simple cross-reference to current controls which are described and/or listed in e g the description of the management and control system, business processes and manuals.**

Column Heading	Guidance
Control Ref	A unique control reference. The numbers have been sequentially allocated to each risk, e.g. controls for risk SR1 begin at SC 1.1, controls for risk IR2 begin at IC 2.1. This cell only needs to be completed for new controls added.
Control Description	This cell only needs to be completed for new controls added.
Do you evidence operation of this control?	From the drop-down menu, the risk assessment team should indicate 'Yes' or 'No' evidence for the operation of the control is documented. For example, evidence of approval is documented by a signature and the control is therefore visible.
Do you regularly test this control?	From the drop-down menu, the risk assessment team should indicate 'Yes' or 'No' as to whether the operation of the control is regularly tested. This could be tested by internal or external audit or any other monitoring system.
How confident are you in the effectiveness of this control?	Based partly on the responses to the previous two questions, the risk assessment team should indicate how confident they are in the effectiveness of the control in mitigating against the identified risk (High,

	Medium or Low). If the control is not evidenced or not tested the confidence level will be low. If the control is not evidenced then it will clearly not be able to test it.
Effect of combined controls on risk IMPACT taking into account confidence levels.	From the drop-down menu, the risk assessment team should select a score from -1 to -4, indicating by how much they believe the risk impact has been reduced by the controls currently in place. Controls which detect fraud reduce the impact of fraud since they show that the internal control mechanisms work.
Effect of combined controls on risk LIKELIHOOD taking into account confidence levels.	From the drop-down menu, the risk assessment team should select a score from -1 to -4, indicating by how much they believe the risk likelihood has been reduced by the controls currently in place. Controls which detect fraud only indirectly reduce the likelihood of fraud.

2.3. Net risk

Net risk refers to the level of risk **after taking into account** the effect of any **existing** controls and their effectiveness i.e. the situation as it is at the current time.

<table>
<tr><th>Column Heading</th><th>Guidance</th></tr>
<tr><td>Risk Impact (NET)</td><td>This cell will be automatically calculated from deducting the effect of combined existing mitigating controls from the GROSS risk impact. The result should be reviewed against the following criteria to confirm that the assessment is still reasonable:

<table>
<tr><td></td><td>Reputation</td><td>On Objectives</td></tr>
<tr><td>1</td><td>Limited impact</td><td>Additional work delaying other processes</td></tr>
<tr><td>2</td><td>Minor impact</td><td>Achievement of operational objective delayed</td></tr>
<tr><td>3</td><td>Major impact , e.g. because nature of fraud is particularly serious or several beneficiaries are involved</td><td>Achievement of operational objective endangered or strategic objective delayed</td></tr>
<tr><td>4</td><td>Formal enquiry from stakeholders, e g Parliament and/or negative press</td><td>Strategic objective endangered</td></tr>
</table></td></tr>
<tr><td>Risk Likelihood (NET)</td><td>This cell will be automatically calculated from deducting the effect of combined existing mitigating controls from the GROSS risk likelihood. The result should be reviewed against the following criteria to confirm that the assessment is still reasonable:

<table>
<tr><td>1</td><td>Will almost never happen</td></tr>
<tr><td>2</td><td>Will rarely occur</td></tr>
<tr><td>3</td><td>Will sometimes occur</td></tr>
<tr><td>4</td><td>Will often occur</td></tr>
</table></td></tr>
<tr><td>Total Risk Score (NET)</td><td>This cell is automatically calculated from the values Risk Impact and Likelihood. It is ranked according to the total score:
• 1 – 3 – Tolerable (Green)
• 4 – 6 – Significant (Orange)
• 8 – 16 – Critical (Red)</td></tr>
</table>

2.4. Action plan for putting in place effective and proportionate anti-fraud measures

Column Heading	Guidance
Planned Additional Control	A full description of the planned control/effective and proportionate anti-fraud measures should be given here**. Whereas section 5 of the guidance note sets out general principles and methods to combat fraud, Annex 2 provides for each identified risk, the recommended mitigating controls.**
Responsible Individual	A responsible individual (or role) for any planned controls should be given here. This individual should agree to taking responsibility for the control and be accountable for the introduction and its effective functioning.
Deadline for Implementation	A deadline for the implementation of the new control should be given here. The responsible individual should agree to this deadline and be accountable for the introduction of the new control by this date.
Effect of combined planned additional controls on risk IMPACT	From the drop-down menu, the risk assessment team should select a score from -1 to -4, indicating by how much they believe the risk impact will be reduced by the planned controls.
Effect of combined planned additional controls on risk LIKELIHOOD.	From the drop-down menu, the risk assessment team should select a score from -1 to -4, indicating by how much they believe the risk likelihood will be reduced by the planned controls.

2.5. Target risk

Target risk refers to the level of risk **after taking into account** the effect of any **current and planned** controls.

<table>
<tr><th>Column Heading</th><th>Guidance</th></tr>
<tr><td>Risk Impact (TARGET)</td><td>This cell will be automatically calculated from deducting the effect of combined planned mitigating controls from the NET risk impact. The result should be reviewed against the following criteria to confirm that the assessment is still reasonable:

<table>
<tr><td></td><td>Reputation</td><td>On Objectives</td></tr>
<tr><td>1</td><td>Limited impact</td><td>Additional work delaying other processes</td></tr>
<tr><td>2</td><td>Minor impact</td><td>Achievement of operational objective delayed</td></tr>
<tr><td>3</td><td>Major impact , e.g. because nature of fraud is particularly serious or several beneficiaries are involved</td><td>Achievement of operational objective endangered or strategic objective delayed</td></tr>
<tr><td>4</td><td>Formal enquiry from stakeholders, e g Parliament and/or negative press</td><td>Strategic objective endangered</td></tr>
</table></td></tr>
<tr><td>Risk Likelihood (TARGET)</td><td>This cell will be automatically calculated from deducting the effect of combined planned mitigating controls from the GROSS risk likelihood. The result should be reviewed against the following criteria to confirm that the assessment is still reasonable:

<table>
<tr><td>1</td><td>Will almost never happen</td></tr>
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</table></td></tr>
<tr><td>Total Risk Score (TARGET)</td><td>This cell is automatically calculated from the inputs into Risk Impact and Likelihood. It is ranked according to the total score:
• 1 – 3 – Tolerable (Green)
• 4 – 6 – Significant (Orange)
• 8 – 16 – Critical (Red)</td></tr>
</table>

1: ASSESSMENT OF EXPOSURE TO SPECIFIC FRAUD RISKS - SELECTION OF APPLICANTS BY MANAGING AUTHORITIES

DESCRIPTION OF RISK						
Risk Ref	**Risk Title**	**Risk description**	**Who is involved in the risk? (Managing Authority (MA) / Implementing Bodies (IP) / Certifying Authority (CA) / Beneficiaries (BF) / Third Parties (TP))**	**Is the risk internal (within the MA), external, or a result of collusion?**	**Is this risk relevant to your Managing Authority?**	**If you have answered NO, provide justification for your answer**
SR1	Conflicts of interest within the evaluation board	Members of the MA's evaluation board intentionally influence the evaluation and selection of applicants to favour a certain applicants by providing favourable treatment to the their application in the evaluation or by exerting pressure on other panel members	Managing Authority and Beneficiaries	Internal / Collusion		
SR2	False declarations by applicants	Applicants submit false declarations in the application, misleading the evaluation board that they comply with the general and specific eligibility criteria to win an application procedure	Beneficiaries	External		
SR3	Double funding	An organisation applies for funding for the same project from several EU funds and/or Member States without declaring these applications	Beneficiaries	External		
SRX		*Insert description of additional risks…*				

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
SR1	Conflicts of interest within the evaluation board	Members of the MA's evaluation board intentionally influence the evaluation and selection of applicants to favour a certain applicant by providing favourable treatment to the their application in the evaluation or by exerting pressure on other panel members	Managing Authority and Beneficiaries	Internal / Collusion

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	SC 1.1	The evaluation board is comprised of several senior management personnel who are rotated, with some level of randomness in their selection for participation in each evaluation board.				-1	-1	0	0	0
			SC 1.2	The MA has a secondary panel in place to review a sample of decisions made by the preliminary evaluation panel.								
			SC 1.3	The MA has a conflict of interest policy, including an annual declaration and register for all personnel, in place and has measures in place to ensure that these are followed.								
			SC 1.4	The MA implements regular adequate training courses on ethics and integrity for all personnel.								
			SC 1.5	The MA ensures that individuals are aware of the consequences of partaking in activities that may call their integrity into question, with clear descriptions of the consequences associated with specific misdemeanours.								
			SC 1.6	All calls for application should be published.								
			SC 1.7	All applications should be recorded and evaluated in accordance with applicable criteria.								
			SC 1.8	All decisions on the acceptance / rejection of applications should be communicated to the applicants.								
			SC 1.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
SR2	False declarations by applicants	Applicants submit false declarations in the application, misleading the evaluation board that they comply with the general and specific eligibility criteria to win an application procedure	Beneficiaries	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	SC 2.1	The MA's screening process for project applications includes independent verification of all supporting documents.				-1	-2	0	-1	0
			SC 2.2	The MA's screening process makes use of prior knowledge of the beneficiary to make an informed decision as to the veracity of declarations and information submitted.								
			SC 2.3	The MA's screening process includes using knowledge of previous fraudulent applications and other fraudulent practices.								
			SC 2.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
SR3	Double funding	An organisation applies for funding for the same project from several EU funds and/or Member States without declaring these applications	Beneficiaries	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	3	3	SC 3.1	The MA's screening process includes cross checks with the national authorities administering other funds, and also other relevant Member States.				-1	-2	0	1	0
			SC 3.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	1	0				-1	-1	-1	0	0

RISK DESCRIPTION				
Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
SRX	0	Insert description of additional risks…	0	0

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
		0	SC X.1							0	0	0
			SC X.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0						0	0	0

2: ASSESSMENT OF EXPOSURE TO SPECIFIC FRAUD RISKS - IMPLEMENTATION OF PROGRAMME AND VERIFICATION OF ACTIVITIES

RISK DESCRIPTION							
Risk Ref	**Risk Title**	**Risk description**	**Detailed risk description**	**Who is involved in the risk? (Managing Authority (MA) / Implementing Bodies (IP) / Certifying Authority (CA) / Beneficiaries (BF) / Third Parties (TP))**	**Is the risk internal (within the MA), external, or a result of collusion?**	**Is this risk relevant to your Managing Authority?**	**If you have answered NO, provide justification for your answer**
Implementation - public procurement risks for contracts tendered and managed by beneficiaries							
IR1	Undisclosed conflict of interests or bribes and kickbacks	A member of staff of staff of the beneficiary favours an applicant / tenderer because: - an undeclared conflict of interest occurred or - bribes or kickbacks were paid	1) Beneficiaries may award sub-contracts to third parties in which a member of staff has an interest, whether financial or otherwise. Similarly organisations may not fully disclose all conflicts of interest when applying for a contract or 2) Third parties that have applied for contracts may offer kickbacks or bribes to the beneficiaries in order to influence the award of contracts.	Beneficiaries and Third Parties	External		
IR2	Avoidance of required competitive procedure	A beneficiary avoids the required competitive procedure in order to favour a particular applicant in either winning or maintaining a contract by: - split purchases or - unjustified single source award or - not organising a tendering process or - irregular extension of the contract.	1) Beneficiaries may split a purchase into two or more purchase orders or contracts in order to avoid having to launch a competitive procedure or higher-level management review or 2) Beneficiaries may falsify single source acquisition justification by drafting very narrow specifications or 3) Beneficiaries may award contracts to favoured third parties without the required tendering process or 4) Beneficiaries may extend original contract lengths via a contract amendement or additional condition, in order to avoid a re-tendering process.	Beneficiaries and Third Parties	External		
IR3	Manipulation of the competitive procedure process	A member of staff of an MA favours a tenderer in a competitive procedure through: - rigged specifications or - leaking bid data or - manipulation of bids.	1) Beneficiaries may tailor requests for bids or proposals so that they contain specifications which are tailored to meet the qualifications of a particular bidder, or which only one bidder can meet. Specifications which are too narrow can be used to exclude other qualified bidders or 2) Contracting, project design or bid evaluation personnel from a beneficiary may leak confidential information to help a favoured bidder formulate a superior technical or financial proposal, such as estimated budgets, preferred solutions, or the details of competing bids or 3) Beneficiaries can manipulate bids after receipt to ensure that a favoured contractor is selected	Beneficiaries and Third Parties	External		
IR4	Collusive bidding	Bidders manipulate the competitve procedure organised by a beneficiary to win a contract by colluding with other bidders or setting up fake bidders: - collusive bidding including bidding by interlinked companies or - phantom service provider	1) Third parties in a particular geographic area or region or industry can conspire to defeat competition and raise prices through various collusive bidding schemes, such as complementary bidding, bid suppression, bid rotation and market division or 2) Third parties may set up a 'phantom' service provider to submit complementary bids in collusive bidding schemes, to inflate costs or simply to generate fictitious invoices.In addition, an employee of the beneficiary can authorise payments to a fictitious seller in order to embezzle funds.	Third parties	External		
IR5	Defective pricing	A bidder manipulates the competitive procedure by not specifying certain costs in its bid	Third parties may fail to disclose current, complete and accurate cost or pricing data in their price proposals resulting in an increased contract price.	Third Parties	External		
IR6	Manipulation of cost claims	A contractor manipulates cost claims or invoices to overcharge or recharge incurred costs. - Single contractor double claims costs or - False, inflated or duplicate invoices.	1) A third party with multiple similar work orders might charge the same personnel costs, fees or expenses to several contracts or 2) Third parties might knowingly submit false, inflated or duplicate invoices, either acting alone or in collusion with contracting personnel.	Third Parties	External		
IR7	Non-delivery or substitution of products	Contractors violate the contract conditions by non-delivery of agreed products or alterations and substitution with inferior quality - Product substitution or - Non-existence of products or operation not carried out in line with grant agreement	1) Third parties may substitute inferior quality items for those which are specified in the contract or otherwise fail to meet contract specifications and then knowingly misrepresent that they have. Benefeciaries may be complicit in this fraud or 2) Some or all products or services to be supplied as part of a contract may not be provided, or the contract was knowingly not carried out in line with the grant agreement.	Beneficiaries and Third Parties	External		
IR8	Amendment of existing contract	A beneficiary and a contractor collude to amend an existing contract with more favourable conditions for the third party to such an extent that the original procurement decision is no longer valid.	Amendment may be made to a contract after it has been agreed between a beneficiary and a third party, changing the contract terms/conditions to such an extent that the original procurement decision may no longer be valid.	Beneficiaries and Third Parties	External		

Implementation - risks with labour costs incurred within beneficiaries or third parties							
IR9	Overstatement of quality or activities of personnel	A contractor intentionally overstates the quality of provided personnel or activities to claim them as eligible costs. - Inadequately qualified labour or - Inaccurate descriptions of activities completed by personnel	1) A beneficiary or third party may propose a team of adequately qualified personnel in a tender, only to implement the action with personnel that are inadequately qualified or 2) A beneficiary or third party may knowingly falsify descriptions of tasks performed by personnel in order to ensure that costs claimed are considered eligible	Beneficiaries or Third Parties	External		
IR10	False labour costs	A beneficiary claims knowingly false labour costs for activities that are not carried out or not carried out in accordance with the contract. - False labour costs or - Uncompensated overtime or - Incorrect time rates claimed or - Staff costs claimed for personnel that do not exist or - Staff costs claimed for activities that took place outside the implementation period.	1) A beneficiary or third party may knowingly claim false labour, by inflating the number of working hours completed by the trainers, or by falsifying documents supporting the existence of such events, such as the record of attendance and invoices for the renting of teaching rooms or 2) A beneficiary or third party may knowingly claim overtime where no credit for the extra hours is usually give to staff or 3) A beneficiary or third party may knowingly claim inflated rates for personnel by misrepresenting hourly rates or actual working hours 4) A beneficiary or a third party may falsify documentation in order to claim costs for personnel that are not emplyed, or which do not exist or 5) A beneficiary or third party may knowingly falsify documentation to ensure that costs appear to have been incurred during the relevant implementation period.	Beneficiaries or Third Parties	External		
IR11	Labour costs are apportioned incorrectly to specific projects	A beneficiary knowingly incorrectly apportions staff costs between EU projects and other sources of funding	A beneficiary may knowingly incorrectly apportion staff costs between EU projects and other sources of funding	Beneficiaries	External		
IRXX		*Insert description of additional risks…*					

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR1	Undisclosed conflict of interests or bribes and kickbacks	A member of staff of staff of the beneficiary favours an applicant / tenderer because: - an undeclared conflict of interest occurred or - bribes or kickbacks were paid	Beneficiaries and Third Parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Undeclared conflict of interest**					-1	-2	0	-1	0
			IC 1.1	The MA requires that beneficiary evaluation boards are comprised of several senior management personnel who are rotated, with some level of randomness in their selection for participation. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 1.2	The MA requires beneficiaries to have conflict of interest policies, declarations and conflicts registers and reviews their operation for a sample of beneficiaries.								
			IC 1.3	The MA give clear guidance or training to beneficiaries on ethics, conflicts of interest and the implications of non-adherence to accepted guidelines.								
			IC 1.4	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 1.X	*Insert description of additional controls……*								
			Bribes and kickbacks									
			IC 1.11	The MA requires that beneficiary evaluation boards are comprised of several senior management personnel who are rotated, with some level of randomness in their selection for participation. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 1.12	The MA requires beneficiaries to have conflict of interest policies, declarations and conflicts registers and reviews their operation for a sample of beneficiaries.								
			IC 1.13	The MA give clear guidance or training to beneficiaries on ethics, conflicts of interest and the implications of non-adherence to accepted guidelines.								
			IC 1.14	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 7.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR2	Avoidance of required competitive procedure	A beneficiary avoids the required competitive procedure in order to favour a particular applicant in either winning or maintaining a contract by: - split purchases or - unjustified single source award or - not organising a tendering process or - irregular extension of the contract.	Beneficiaries and Third Parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Split purchases**					-1	-1	0	0	0
			IC 2.1	The MA reviews a list of proposed contracts by beneficiaries prior to implementation of programmes for contracts just under threshold values								
			IC 2.2	The MA requires that contract awards are reviewed by a secondary mechanism within the beneficiary other than the selection panel (e.g. senior level personnel within the beneficiary), who each verify that procurement procedures have been followed. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 2.3	There is evidence that an Internal Audit function within the beneficiaries regularly reviews the operation of internal controls over procurement.								
			IC 2.X	*Insert description of additional controls…*								
			Unjustified single source awards									
			IC 2.11	The MA requires that prior approval is given for all single source awards by secondary mechanism other than the procuring department (e.g. senior level personnel within the beneficiary). The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 2.12	Single source awards must have prior authorisation from the MA.								
			IC 2.13	The MA performs a periodic review of a sample of contracts in order to ensure that technical specifications are not too narrow in comparison to services required for the programme.								
			IC 2.14	There is evidence that an Internal Audit function within the beneficiaries regularly reviews the operation of internal controls over procurement.								
			IC 2.X	*Insert description of additional controls……*								
			Irregular extension of the contract									
			IC 2.21	The MA requires that all contract awards are reviewed by a secondary mechanism within the beneficiary other than the selection panel (e.g. senior level personnel within the beneficiary), who each verify that procurement procedures have been followed. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 2.22	The MA performs a periodic review of a sample of contracts in order to ensure that the correct procurement process has been followed.								
			IC 2.23	The MA requires that beneficiaries have conflict of interest policies, declarations and conflicts registers and reviews their operation for a sample of beneficiaries. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 2.24	There is evidence that an Internal Audit function within the beneficiaries regularly reviews the operation of internal controls over procurement.								
			IC 2.X	*Insert description of additional controls……*								
			Lack of tendering process									
			IC 2.31	The MA requires beneficiaries to have a secondary mechanism other than the procuring department to approve contract amendments. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 2.32	Contract amendments that extend an original agreement above a pre-defined significant threshold must have prior authorisation from the MA.								
			IC 2.33	There is evidence that an Internal Audit function within the beneficiaries regularly reviews the operation of internal controls over procurement.								
			IC 2.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR3	Manipulation of the competitive procedure process	A member of staff of an MA favours a tenderer in a competitive procedure through: - rigged specifications or - leaking bid data or - manipulation of bids.	Beneficiaries and Third Parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Rigged specifications**					-1	-1	0	0	0
			IC 3.1	The MA requires beneficiaries to have a secondary mechanism other than the procuring department to verify that bid specifications are not too narrow. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 3.2	The MA performs a periodic review of a sample of contracts in order to ensure that technical specifications are not too narrow in comparison to services required for the programme.								
			IC 3.3	There is evidence that an Internal Audit function within the beneficiaries regularly reviews the operation of internal controls over procurement.								
			IC 3.X	*Insert description of additional controls……*								
			Leaking bid data									
			IC 3.11	The MA requires beneficiaries to have a secondary mechanism that conducts a review of a sample of winning bids against competition for any indications of prior knowledge of bid information. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 3.12	The MA requires a high level of transparency in the award of contracts, such as the publication of all contract information that is not publically sensitive. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 3.13	The MA performs a periodic review of a sample of winning bids against competition for any indications of prior knowledge of bid information.								
			IC 3.14	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 3.X	*Insert description of additional controls……*								
			Manipulation of bids									
			IC 3.21	The MA requires that the tender process includes a transparent bid opening process, and adequate security arrangements for unopened tenders. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 3.22	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 3.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR4	Collusive bidding	Bidders manipulate the competitve procedure organised by a beneficiary to win a contract by colluding with other bidders or setting up fake bidders: - collusive bidding including bidding by interlinked companies or - phantom service provider	Third parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Collusive bidding**					-1	-1	0	0	0
			IC 4.1	The MA requires that beneficiaries have controls in place to detect persistently high or unusual bid data (such as bid evaluators that have a knowledge of the marketplace) and to unusual relationships between third parties (e.g. rotation of contracts).The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 4.2	The MA requires that beneficiaries 'benchmark' price comparators for standard goods or services. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 4.3	The MA provides training for concerned beneficiaries in preventing and detecting fraudulent behaviour within public procurement.								
			IC 4.4	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 4.5	Check whether companies participating in a tender (in particular three offers' procedures) are interlinked (management, owners etc) using open sources or ARACHNE								
			IC 4.6	Check whether companies that had participated in a tender subsequently become contractor or subcontractor of the winning tenderer								
			IC 4.X	*Insert description of additional controls……*								
			Phantom service provider									
			IC 4.11	The MA requires the beneficiary to complete background checks on all third parties. This can include general website checks, companies house information etc. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 4.12	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 4.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR5	Defective pricing	A bidder manipulates the competitive procedure by not specifying certain costs in its bid	Third Parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	IC 5.1	The MA requires that beneficiaries have controls in place to corroborate prices quoted by the third parties to other independent sources. The MA reviews the operation of these controls for a sample of beneficiaries.	Yes	Yes	M	-1	-2	0	-1	0
			IC 5.2	The MA requires the use of standard unit costs by the beneficiaries for regularly purchased supplies.								
			IC 5.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR6	Manipulation of cost claims	A contractor manipulates cost claims or invoices to overcharge or recharge incurred costs. - Single contractor double claims costs or - False, inflated or duplicate invoices.	Third Parties	Internal / Collusion

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Double claims**					-1	-1	0	0	0
			IC 6.1	The MA requires that the beneficiary reviews activity reports and contract outputs for evidence of costs (e.g. staff names) and is contractually permitted to request additional evidence in support (e.g. time recording systems). The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 6.2	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 6.X	*Insert description of additional controls……*								
			False, inflated or duplicate invoices									
			IC 6.11	The MA requires beneficiaries to perform a review of invoices submitted for duplication (i.e. multiple invoices with the same amount, invoice no, etc.) or falsification. The MA should review the operation of these controls for a sample of beneficiaries.								
			IC 6.12	The MA requires beneficiaries to compare the final price of products / services against budget and generally accepted prices for similar contracts. The MA should review the operation of these controls for a sample of beneficiaries.								
			IC 6.13	For a sample of projects, the MA should itself perform periodic reviews of project outputs against costs for any evidence that the work was not completed or that the necessary costs were incurred.								
			IC 6.14	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 6.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1		-1	0	0

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR7	Non-delivery or substitution of products	Contractors violate the contract conditions by non-delivery of agreed products or alterations and substitution with inferior quality - Product substitution or - Non-existence of products or operation not carried out in line with grant agreement	Beneficiaries and Third Parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Product substitution**					-1	-1	0	0	0
			IC 7.1	The MA requires beneficiaries to review products / services purchased against contract specifications, using relevant experts. The MA reviews the operation of these controls for a sample of beneficiaries.								
			IC 7.2	For a sample of projects, the MA itself reviews activity reports and specific products / services purchased against contract specifications.								
			IC 7.3	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 7.X	*Insert description of additional controls……*								
			Non-existence of products									
			IC 7.11	The MA requires beneficiaries to request works certificates or other forms of verification certificates, awarded by an independent third party, to be provided on the completion of the contract. tThe MA should review the operation of these controls for a sample of beneficiaries.								
			IC 7.12	For a sample of projects, the MA itself reviews works certificates or other forms of verification certificates to be provided on the completion of the contract.								
			IC 7.13	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			IC 7.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR8	Amendment of existing contract	A beneficiary and a contractor collude to amend an existing contract with more favourable conditions for the third party to such an extent that the original procurement decision is no longer valid.	Beneficiaries and Third Parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	IC 17.1	The MA requires that the beneficiaries' process for contract amendments requires approval from more than one senior member of staff who are independent from the selection process.				-1	-2	0	-1	0
			IC 17.2	Contract amendments that amend an original agreement above pre-defined significant thresholds (both value and length) must have prior authorisation from the MA.								
			IC 17.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR9	Overstatement of quality or activities of personnel	A contractor intentionally overstates the quality of provided personnel or activities to claim them as eligible costs. - Inadequately qualified labour or - Inaccurate descriptions of activities completed by personnel	Beneficiaries or Third Parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Inadequately qualified labour**					-1	-1	0	0	0
			IC 9.1	For labour coststs of the beneficiary - the MA should review final activity and financial reports for any discrepancies between planned against actual personnel (persons and time used). Additional evidence (e.g. certificates of qualification) should be requested confirming the suitability of any significant substitutes.								
			IC 9.2	For labour coststs of the beneficiary - for significant changes in key personnel, prior authorisation from the MA is required.								
			IC 9.3	For labour costs of third parties - the MA requires beneficiaries to review key personnel involved within the implementation of a contract in comparison to those proposed in tenders and request evidence confirming the suitability of significant substitutes. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 9.4	For labour costs of third parties - for significant changes in contracted personnel, the MA requires that the beneficiary must give prior authorisation. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 9.X	*Insert description of additional controls……*								
			Inaccurate descriptions of activities									
			IC 9.11	For labour costs of beneficiaries - the MA routinely requests evidence from beneficiaries that can independently verify the completion of project activities e.g. attendance registers, time recording systems. These are scrutinised with appropriate scepticism.								
			IC 9.12	For labour costs of beneficiaries - the MA routinely reviews final activity and financial reports received from beneficiaries for any discrepancies between planned and actual activities. Where differences are noted, explanations and additional evidence are requested and verified.								
			IC 9.13	For labour costs of third parties - the MA requires that beneficiaries routinely request evidence from third parties that can independently support the completion of activities e.g. attendance registers, timekeeping records. These are scrutinised with appropriate scepticism. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 9.14	For labour costs of third parties - the MA requires that beneficiaries routinely review final activity and financial reports for any discrepancies between planned and actual activities. Where differences are noted, explanations and additional evidence should be requested. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 9.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR10	False labour costs	A beneficiary claims knowingly false labour costs for activities that are not carried out or not carried out in accordance with the contract. - False labour costs or - Uncompensated overtime or - Incorrect time rates claimed or - Staff costs claimed for personnel that do not exist or - Staff costs claimed for activities that took place outside the implementation period.	Beneficiaries or Third Parties	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**False labour costs**					-1	-1	0	0	0
			IC 10.1	For labour costs of the beneficiary - the MA routinely requests evidence from beneficiaries that can independently verify the completion of project activities e.g. attendance registers, time recording systems. These are scrutinised with appropriate scepticism.								
			IC 10.2	For labour costs of the beneficiary - the MA routinely reviews final activity and financial reports received from beneficiaries for any discrepancies between planned and actual activities. Where differences are noted, explanations and additional evidence are requested and verified.								
			IC 10.3	For labour costs of third parties - the MA requires that beneficiaries routinely request evidence from third parties that can independently support the completion of activities e.g. attendance registers, timekeeping records. These are scrutinised with appropriate scepticism. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 10.4	For labour costs of third parties - the MA requires that beneficiaries routinely review final activity and financial reports for any discrepancies between planned and actual activities. Where differences are noted, explanations and additional evidence should be requested. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 10.X	*Insert description of additional controls……*								
			Uncompensated overtime									
			IC 10.11	For labour costs of the beneficiary - the MA monitors final financial and activity reports and supporting documentation for indications that overtime is being claimed (excessive numbers of working hours for project staff, fewer number of implementing staff than planned but all activities achieved) and requests supporting documentation confirming that costst claimed are in accordance with overtime rules and costs actually incurred.								
			IC 10.12	For labour costs of third parties - the MA requires that beneficiaries monitor invoices from suppliers against supporting documentation for indications that overtime is being claimed (excessive numbers of working hours for project staff, fewer number of implementing staff than planned) and requests supporting documentation confirming that costst claimed are in accordance with overtime rules and costs actually incurred. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 10.X	*Insert description of additional controls……*								
			Incorrect time rates claimed									
			IC 10.21	For labour costs of beneficiaries - the MA reviews final financial reports against evidence supporting actual salary costs incurred (e.g. contracts, payroll data) and time spent on project activities (e.g. time recording systems, attendance records). All evidence is scrutinised with appropriate scepticism.								
			IC 10.22	For labour costs of third parties - the MA requires that beneficiaries review invoices for labour costs against evidence supporting actual salary costs incurred (e.g. contracts, payroll data) and time spent on project activities (e.g. time recording systems, attendance records). All evidence is scrutinised with appropriate scepticism. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 10.X	*Insert description of additional controls……*								
			Personnel that do not exist									
			IC 10.31	For labour costs of beneficiaries - the MA routinely requests evidence from beneficiaries that can independently verify the existence of staff e.g. contracts, social security details. These are scrutinised with appropriate scepticism and independently verified where possible.								
			IC 10.32	For labour costs of third parties - the MA requires that beneficiaries request evidence from third parties that can independently verify the existence of staff e.g. contracts, social security details. These are scrutinised with appropriate scepticism and independently verified where possible. The MA reviews the operation of this control in a sample of beneficiaries.								
			IC 10.X	*Insert description of additional controls……*								
			Activities outside implementation period									
			IC 10.41	For labour costs of beneficiaries - the MA routinely requests evidence from beneficiaries that can independently verify that costs were incurred within project deadlines e.g. original invoices, bank statements. These are scrutinised with appropriate scepticism and independently verified where possible.								
			IC 10.42	For labour costs of third parties - the MA rrequires that beneficiaries request evidence from third parties that can independently verify that costs were incurred within project deadlines e.g. original invoices, bank statements. These are scrutinised with appropriate scepticism and independently verified where possible.								
			IC 10.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IR11	Labour costs are apportioned incorrectly to specific projects	A beneficiary knowingly incorrectly apportions staff costs between EU projects and other sources of funding	Beneficiaries	External

GROSS RISK			EXISTING CONTROLS						NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	IC 11.1	The MA routinely requests evidence from beneficiaries that can independently verify the apportionment of staff costs for project activities e.g. attendance registers, time recording systems, data from accounting ledgers. These are scrutinised with appropriate scepticism.				-1	-2	0	-1	0
			IC 11.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION				
Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
IRXX	0	Insert description of additional risks…	0	0

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	IC 2X.X	*Insert description of ontrols……*				-1	-2	0	-1	0

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

3: ASSESSMENT OF EXPOSURE TO SPECIFIC FRAUD RISKS - CERTIFICATION AND PAYMENTS

RISK DESCRIPTION						
Risk Ref	**Risk Title**	**Risk description**	**Who is involved in the risk? (Managing Authority (MA) / Implementing Bodies (IP) / Certifying Authority (CA) / Beneficiaries (BF) / Third Parties (TP))**	**Is the risk internal (within the MA), external, or a result of collusion?**	**Is the Managing Authority exposed to this risk?**	**If NO, provide justification**
CR1	Incomplete / inadequate management verification process	Management verifications may not give adequate assurance for absence of fraud, due to a lack of the necessary skills or resources at the MA.	Managing Authority	Internal		
CR2	Incomplete / inadequate expenditure certification process	Expenditure certifications may not give adequate assurance for absence of fraud, due to a lack of the necessary skills or resources at the CA.	Certifying Authority	External		
CR3	Conflicts of interest within the MA	Members of the MA may have conflicts of interest which have undue influence on the approval of payments for certain beneficiaries.	Managing Authority and Beneficiaries	Internal / Collusion		
CR4	Conflicts of interest within the Certifying Authority	Expenditure may be certified by a Certifying Authority that has a connection to the beneficiary.	Certifying Authority and Beneficiaries	External		
CRXX		*Insert description of additional risks…*				

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
CR1	Incomplete / inadequate management verification process	Management verifications may not give adequate assurance for absence of fraud, due to a lack of the necessary skills or resources at the MA.	Managing Authority	Internal

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	CC 1.1	The MA has a clear methodology by which the number and type of beneficiaries verified is based on accepted best practices, including an analysis of the level of risk of fraud.	Yes	Yes	M	-1	-2	0	-1	0
			CC 1.2	Staff carrying out management verifications are adequately qualified and trained, with up to date refresher training on fraud awareness.								
			CC 1.3	There is a sufficient audit trail in place to allow reconciliation of summary amounts certified to the Commission with individual expenditure records.								
			CC 1.4	The MA performs a detailed secondary review of a sample of management verifications, ensuring they have been performed in line with relevant guidelines and standards.								
			CC 1.5	There are necessary preventive and corrective actions where systemic errors are detected by the audit.								
			CC 1.6	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
CR2	Incomplete / inadequate expenditure certification process	Expenditure certifications may not give adequate assurance for absence of fraud, due to a lack of the necessary skills or resources at the CA.	Certifying Authority	External

GROSS RISK / EXISTING CONTROLS / NET RISK

Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	CC 2.1	The CA has a clear methodology by which the number and type of beneficiaries verified is based on accepted best practices, including an analysis of the level of risk of fraud. The MA reviews and approves this selection process.				-1	-2	0	-1	0
			CC 2.2	Staff carrying out expenditure certifications are adequately qualified and trained, with up to date refresher training on fraud awareness. The MA reviews the adequacy of these training programmes.								
			CC 2.3	The MA performs a detailed assurance review of expenditure certifications performed by the CA, ensuring they have been performed in line with relevant guidelines and standards.								
			CC 2.4	There is a clear definition, allocation and separation of functions between and within the managing authorities and intermediate bodies. There are adequate procedures in place at the Managing Authority to monitor the effective implementation of the tasks delegated to the intermediary body/ies.								
			CC 2.X	*Insert description of additional controls……*								

NET RISK / ACTION PLAN / TARGET RISK

Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
CR3	Conflicts of interest within the MA	Members of the MA may have conflicts of interest which have undue influence on the approval of payments for certain beneficiaries.	Managing Authority and Beneficiaries	Internal / Collusion

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	CC 3.1	The payment process has several segregated stages of approval, where evidence for the validity of expenditure is required (e.g. independent audit opinions) before approval can be given.				-1	-2	0	-1	0
			CC 3.2	The MA has a conflict of interest policy, including an annual declaration and register for all personnel, in place and has measures in place to ensure that these are followed.								
			CC 3.3	The MA implements regular adequate training courses on ethics and integrity for all personnel.								
			CC 3.4	The MA ensures that individuals are aware of the consequences of partaking in activities that may call their integrity into question, with clear descriptions of the consequences associated with specific misdemeanours.								
			CC 3.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
CR4	Conflicts of interest within the Certifying Authority	Expenditure may be certified by a Certifying Authority that has a connection to the beneficiary.	Certifying Authority and Beneficiaries	External

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	CC 4.1	The payment process has several segregated stages of approval, where evidence for the validity of expenditure is required (e.g. audit opinions) before approval can be given by the MA.			M	-1	-2	0	-1	0
			CC 4.2	The CA has a conflict of interest policy, including an annual declaration and register for all personnel, in place and has measures in place to ensure that these are followed. The MA reviews the operation of this control.								
			CC 4.3	The CA implements regular adequate training courses on ethics and integrity for all personnel. The MA reviews the operation of this control.								
			CC 4.4	The CA ensures that individuals are aware of the consequences of partaking in activities that may call their integrity into question, with clear descriptions of the consequences associated with specific misdemeanours. The MA reviews the operation of this control.								
			CC 4.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION				
Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
CRXX	0	Insert description of additional risks…	0	0

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	CC X.1					-1	-2	0	-1	0
			CC X.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

4: ASSESSMENT OF EXPOSURE TO SPECIFIC FRAUD RISKS - DIRECT PROCUREMENT BY MANAGING AUTHORITIES

DESCRIPTION OF RISK							
Risk Ref	**Risk Title**	**Risk description**	**Detailed risk description**	**Who is involved in the risk? (Managing Authority (MA) / Implementing Bodies (IP) / Certifying Authority (CA) / Beneficiaries (BF) / Third Parties (TP))**	**Is the risk internal (within the MA), external, or a result of collusion?**	**Is the Managing Authority exposed to this risk?**	**If NO, provide justification**
PR1	Avoidance of required competitive procedure	A member of staff of the MA avoids the required competitive procedure in order to favour a particular tenderer in either winning or maintaining a contract by: - not organising a tender process or: - split purchases or - unjustified single source award or - irregular extension of the contract.	1) A member of MA may split a purchase into two or more purchase orders or contracts in order to avoid having to launch a competitive procedure or higher-level management review or 2) A member of MA may falsify single source acquisition justification by drafting very narrow specifications or 3) A member of MA may award contracts to favoured third parties without the required tendering process or 4) A member of MA may extend original contract lengths via a contract amendement or additional condition, in order to avoid a re-tendering process.	Managing Authorities and Third Parties	Internal / Collusion		
PR2	Manipulation of the competitive procedure process	A member of staff of an MA favours an tenderer in a competitive procedure through: - rigged specifications or - leaking bid data or - manipulation of bids.	1) A member of MA may tailor requests for bids or proposals so that they contain specifications which are tailored to meet the qualifications of a particular bidder, or which only one bidder can meet. Specifications which are too narrow can be used to exclude other qualified bidders or 2) Contracting, project design or bid evaluation personnel from MA may leak confidential information to help a favoured bidder formulate a superior technical or financial proposal, such as estimated budgets, preferred solutions, or the details of competing bids or 3) A member of MA can manipulate bids after receipt to ensure that a favoured contractor is selected	Managing Authorities and Third parties	Collusion		
PR3	Undisclosed conflict of interests or bribes and kickbacks	A member of staff of an MA favours an applicant / tenderer because: - an undeclared conflict of interest occurred or - bribes or kickbacks were paid	1) A contract may be awarded to a beneficiary in which a member of staff has an interest, whether financial or otherwise. Similarly organisations may not fully disclose all conflicts of interest when applying for a contract or 2) Beneficiaries that have applied for contracts may offer kickbacks or bribes in order to influence the award of contracts.	Managing Authorities and Third parties	Collusion		
PRX		*Insert description of additional risks…*					

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
PR1	Avoidance of required competitive procedure	A member of staff of the MA avoids the required competitive procedure in order to favour a particular tenderer in either winning or maintaining a contract by: - not organising a tender process or: - split purchases or - unjustified single source award or - irregular extension of the contract.	Managing Authorities and Third Parties	Internal / Collusion

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Split purchases**					-1	-2	0	-1	0
			PC 1.1	Prior approval for all single source awards are given by secondary mechanism other than the procuring department (e.g. senior level personnel within the MA).								
			PC 1.2	Internal /External Audit regularly review the operation of internal controls over procurement.								
			PC 1.X	*Insert description of additional controls……*								
			Unjustified single source award									
			PC 1.11	All contract awards are reviewed by a secondary mechanism other than the selection panel (e.g. senior level personnel within the MA), who each verify that procurement procedures have been followed.								
			PC 1.12	Internal/External Audit regularly review the operation of internal controls over procurement.								
			PC 1.13	The MA has a conflict of interest policy, including an annual declaration and register for all personnel, in place and has measures in place to ensure that these are followed.								
			PC 1.X	*Insert description of additional controls……*								
			Irregular extension of the contract									
			IC 1.21	All contract awards are reviewed by a secondary mechanism (e.g. senior level personnel within the MA), who each verify that procurement procedures have been followed.								
			IC 1.22	The MA has a conflict of interest policy, including an annual declaration and register for all personnel, in place and has measures in place to ensure that these are followed.								
			IC 1.23	Internal/External Audit regularly review the operation of internal controls over procurement.								
			IC 1.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	-1	0				-1	-1	-1	-2	2

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
PR2	Manipulation of the competitive procedure process	A member of staff of an MA favours an tenderer in a competitive procedure through: - rigged specifications or - leaking bid data or - manipulation of bids.	Managing Authorities and Third parties	Collusion

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Rigged specifications**					-1	-1	0	0	0
			PC 2.1	All contract awards are reviewed by a secondary mechanism than the procuring department (e.g. senior level personnel within the MA), who each verify that bid specifications are not too narrow.								
			PC 2.2	Internal/External Audit regularly review the operation of internal controls over procurement.								
			PC 2.X	*Insert description of additional controls……*								
			Leaking bid data									
			PC 2.11	A secondary panel conducts a review of a sample of winning bids against competition for any indications of prior knowledge of bid information.								
			PC 2.12	There is an high level of transparency in the award of contracts , such as the publication of all contract information that is not publically sensitive.								
			PC 2.13	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			PC 2.14	*Insert description of additional controls……*								
			Manipulation of bids									
			PC 2.21	The tender process includes a transparent bid opening process, and adequate security arrangements for unopened tenders.								
			PC 2.22	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			PC 2.23	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
PR3	Undisclosed conflict of interests or bribes and kickbacks	A member of staff of an MA favours an applicant / tenderer because: - an undeclared conflict of interest occurred or - bribes or kickbacks were paid	Managing Authorities and Third parties	Collusion

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
1	1	1	**Undeclared conflict of interest**					-1	-1	0	0	0
			PC 3.1	The evaluation board is comprised of several senior management personnel who are rotated, with some level of randomness in their selection for participation in each evaluation board.								
			PC 3.2	All contract awards are reviewed by a secondary mechanism other than the evaluation panel (e.g. senior level personnel within the MA), who verify that procurement procedures have been followed.								
			PC 3.3	The MA has a conflict of interest policy, including an annual declaration and register for all personnel, in place and has measures in place to ensure that these are followed.								
			PC 3.4	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			PC 3.5	*Insert description of additional controls……*								
			Bribes or kickbacks									
			PC 3.11	The MA has strong controls on bidding procedures, e.g. enforcing submission deadlines and reviews their operation for a sample of beneficiaries.								
			PC 3.12	All contract awards are reviewed by a secondary mechanism other than the evaluation panel (e.g. senior level personnel within the MA), who verify that procurement procedures have been followed.								
			PC 3.13	A secondary panel conducts a review of a sample of winning bids for indications such as winning bids being very close to the next lowest bid, late bids winning, and / or evidence of the winning bidder communicating privately with contracting personnel, for any indications of fraudulent behaviour.								
			PC 3.14	The MA implements and publicises a whistle-blowing mechanism for suspected fraudulent behaviour.								
			PC 3.15	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
0	0	0				-1	-1	-1	-1	1

RISK DESCRIPTION

Risk Ref	Risk Title	Risk description	Who is involved in the risk?	Is the risk internal (within the MA), external, or a result of collusion?
PRX	0	Insert description of additional risks…	0	0

GROSS RISK			EXISTING CONTROLS							NET RISK		
Risk Impact (GROSS)	Risk Likelihood (GROSS)	Total risk score (GROSS)	Control ref	Control description	Do you evidence the operation of this control?	Do you regularly test this control?	How confident are you in the effectiveness of this control?	Effect of combined controls on risk IMPACT taking into account confidence levels	Effect of combined controls on risk LIKELIHOOD taking into account confidence levels	Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)
5	3	15	PC X.1	The tender process includes a transparent bid opening process, and adequate security arrangements for unopened tenders.				-1	-2	4	1	4
			PC X.X	*Insert description of additional controls……*								

NET RISK			ACTION PLAN					TARGET RISK		
Risk Impact (NET)	Risk Likelihood (NET)	Total current risk score (NET)	Planned new control	Responsible individual	Deadline for implementation	Effect of combined planned controls on new NET risk IMPACT	Effect of combined planned controls on new NET risk LIKELIHOOD	Risk Impact (TARGET)	Risk Likelihood (TARGET)	Total risk score (TARGET)
4	1	4				-1	-1	3	0	0

Annex 2

Recommended mitigating controls

1. SELECTION OF APPLICANTS

Overarching controls

- Secondary panel could review individual decisions or a sample of decisions made by the evaluation panel.
- Adequate training courses on ethics and integrity, covering individual responsibilities, as appropriate.
- Use of data mining tools, such as **ARACHNE**
- Regular independent audits (e g by internal audit or by AA)
- Whistle-blowing mechanism could be put in place for suspected fraudulent behaviour.

Specific Fraud Risk	Control description	Recommended mitigating controls
Conflicts of interest within the evaluation board	**Selection of applicants** • All calls for application are published • All applications are recorded • All applications are evaluated in accordance with applicable criteria • All decisions on the acceptance / rejection of applications are communicated to the applicants **Audit trails** • Procedures should be in place to ensure that all documents required to ensure an adequate audit trail are held **Accounting, monitoring and financial reporting systems** • A computerised system capable of providing reliable and relevant information works effectively	• The evaluation board is comprised of several senior management personnel who could be rotated, with some level of randomness in their selection for participation in each evaluation board. • **Conflict of interest policy**, with an annual declaration and register.
False declarations by applicants		• Cross-checking of supporting documents to independent sources of evidence • Use of prior knowledge of the beneficiary to make informed decisions as to the veracity of declarations and information submitted.
Double funding		• Cross checks with the national authorities administering other EU funds, and also other relevant Member States, whenever this is feasible, and whenever this risk is assessed as relevant and likely to occur.

Annex 2

Recommended mitigating controls

2. IMPLEMENTATION AND VERIFICATION OF OPERATIONS

Overarching controls

- Requirement for beneficiaries to have conflict of interest policies, with annual declaration and register
- Provision of training for beneficiaries on the detection of fraudulent behaviour
- Use of data mining tools, such as **ARACHNE**
- Whistle-blowing mechanism could be put in place for suspected fraudulent behaviour
- Effective management verifications
- Compliance with national requirements for independent audit of project costs by beneficiaries

Specific Fraud Risk	Control description	Recommended mitigating controls
Split purchases	**Guidance to beneficiaries** • Effective communication to beneficiaries of their rights and obligations in particular the national eligibility rules laid down from the programme, the applicable Community rules on eligibility, the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, the requirements concerning separate accounting or adequate accounting codes, the information to be kept and communicated • The existence of clear and unambiguous national eligibility rules laid down for the programme • The existence of a strategy to ensure that beneficiaries have access to the necessary information and receive an appropriate level of guidance	• As appropriate, review by MA of list of proposed contracts prior to implementation of programmes for contracts just under threshold values
Unjustified single source awards to avoid tendering		• Review by the MA of a sample of beneficiaries' single source awards. • Prior MA approval for all single source awards.
Lack of tendering process for favoured suppliers		• Review by MA of a sample of significant size contracts prior to payment of any invoices for evidence of tendering.
Extension of existing contracts to avoid retendering		• Prior approval by MA for contract amendments that extend an original agreement above a pre-defined significant threshold.
Rigged specifications to favour certain bidders		• Requirement by MA for beneficiaries to have a secondary mechanism other than e g the procuring department to verify that bid specifications are not too narrow. Review of the operation of this control by the MA for a sample of beneficiaries.
Leaking bid data		• Requirement by MA for beneficiaries to have a secondary mechanism that conducts a review of a sample of winning bids against competition for any indications of prior knowledge of bid information. Review of the operation of this control by the MA for a sample of beneficiaries. • Requirement by MA for a high level of transparency in the award of contracts, such as the publication of all contract information that is

Annex 2

Recommended mitigating controls

	Management verifications • The existence of written procedures and comprehensive checklists for management verifications	not publically sensitive. Review of the operation of this control by the MA for a sample of beneficiaries. • Review by MA of a sample of winning bids against competition for any indications of prior knowledge of bid information.
Undisclosed conflict of interest	• Management verifications to be completed before certification	• **Conflict of interest policy**, with an annual declaration and register.
Bribes and kickbacks	• All applications for reimbursement to be subject to administrative verification, including review of claim and supporting documentation • On-the-spot verifications to be undertaken when the project is well under way • Evidence is kept for the work done and results obtained and follow up of findings • Sampling to be based on adequate risk assessment • Existence of procedures to ensure that certifying authority receives all necessary information	• Requirement by MA for beneficiaries to have strong controls on bidding procedures, e.g. enforcing submission deadlines. Review of the operation of this control by the MA for a sample of beneficiaries. • Requirement by MA for beneficiaries to review all contract awards with a secondary mechanism for indications such as winning bids being very close to the next lowest bid, late bids winning, and / or evidence of the winning bidder communicating privately with contracting personnel. Review of the operation of this control by the MA for a sample of beneficiaries. • Review by MA of a sample of winning tenders for indications such as winning bids being very close to the next lowest bid, late bids winning, and / or evidence of the winning bidder communicating privately with contracting personnel, for any indications of fraudulent behaviour.
Collusive bidding	**Audit trails** • Accounting records should be kept by the MA that provide detailed information on expenditure actually incurred in each co-financed operation by beneficiary • Technical specifications and financial plan of the operation, progress and monitoring reports, documents concerning application, evaluation, selection, grant approval and tendering and contracting procedures and reports on inspections of the products and services co-financed should be kept at an appropriate management level	• Requirement by MA for beneficiaries to have controls in place to detect persistently high or unusual bid data (such as bid evaluators that have a knowledge of the marketplace) and to unusual relationships between third parties (e.g. rotation of contracts). Review of the operation of this control by the MA for a sample of beneficiaries. • Requirement by MA that beneficiaries 'benchmark' price comparators for standard goods or services. Review of the operation of this control by the MA for a sample of beneficiaries.
Manipulation of bids		• Requirement by MA for beneficiaries to have a tender process that includes a transparent bid opening process, and adequate security arrangements for unopened tenders. Review of the operation of this control by the MA for a sample of beneficiaries.
Defective pricing	• The MA should verify whether the beneficiaries maintain either a separate accounting system or separate accounting code for all transactions • Procedures should be in place to ensure that	• Requirement by MA that beneficiaries have controls in place to corroborate prices quoted by the third parties to other independent sources. Review of the operation of this control by the MA for a sample of beneficiaries. • Requirement by MA for the use of standard unit costs by the

Annex 2

Recommended mitigating controls

	all documents required to ensure an adequate audit trail are held **Accounting, monitoring and financial reporting systems** A computerised system capable of providing reliable and relevant information works effectively	beneficiaries for regularly purchased supplies.
'Phantom' service providers		• Requirement by the MA for beneficiaries to complete background checks on all third parties. This can include general website checks, companies location and contact information etc. Review of the operation of this control by the MA for a sample of beneficiaries.
Single contractor double claims costs		• Requirement by MA that beneficiaries review activity reports and contract outputs for evidence of costs (e.g. staff names) and are contractually permitted to request additional evidence in support (e.g. time recording systems). Review of the operation of this control by the MA for a sample of beneficiaries.
Product substitution		• Requirement by MA for beneficiaries to review products / services purchased against contract specifications, using relevant experts. Review of the operation of this control by the MA for a sample of beneficiaries. • Review by MA of a sample of activity reports and specific products / services purchased against contract specifications.
Non-existence of products or operation not carried out in line with grant agreement		• Requirement by MA for beneficiaries to request works certificates or other forms of verification certificates, awarded by an independent third party, on the completion of the contract. Review of the operation of this control by the MA for a sample of beneficiaries. • Review by MA of a sample of works certificates or other forms of verification certificates.
False, inflated or duplicate invoices		• Requirement by MA for beneficiaries to perform a review of invoices submitted for duplication (i.e. multiple invoices with the same amount, invoice no, etc.) or falsification. Review of the operation of this control by the MA for a sample of beneficiaries. • Requirement by MA for beneficiaries to compare the final price of products / services against budget and generally accepted prices for similar contracts. Review of the operation of this control by the MA for a sample of beneficiaries. • Review by MA of a sample of project outputs against costs for any evidence that the work was not completed or that the necessary costs were incurred.

Annex 2

Recommended mitigating controls

2. IMPLEMENTATION AND VERIFICATION OF OPERATIONS

Overarching controls

- Whistle-blowing mechanism could be put in place for suspected fraudulent behaviour
- Use of data mining tools, such as **ARACHNE**
- Effective management verifications
- Compliance with national requirements for independent audit of project costs by beneficiaries

Specific Fraud Risk	Control description	Recommended mitigating controls (or specific checks to be included in the management verifications)
Costs claimed for inadequately qualified labour	**Guidance to beneficiaries** • Effective communication to beneficiaries of their rights and obligations in particular the national eligibility rules laid down from the programme, the applicable Community rules on eligibility, the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, the requirements concerning separate accounting or adequate accounting codes, the information to be kept and communicated • The existence of clear and unambiguous national eligibility rules laid down for the programme • The existence of a strategy to ensure that beneficiaries have access to the necessary information and receive an appropriate level of guidance **Management verifications** • The existence of written procedures and comprehensive checklists for management verifications	• Review of final activity and financial reports for any discrepancies between planned against actual personnel. • Request of additional evidence (e.g. certificates of qualification) to confirming the suitability of any significant substitutes. • Prior authorisation for significant changes in key personnel. • Requirement for beneficiaries to review key third party personnel involved within the implementation of a contract in comparison to those proposed in tenders and request evidence confirming the suitability of significant substitutes. Reviews of operation of this control by the MA in a sample of beneficiaries. • Requirement for beneficiaries to give prior authorisation to third parties for significant changes in personnel. Reviews of operation of this control by the MA in a sample of beneficiaries.
False labour costs		• Verification of evidence from beneficiaries for completion of project activities e.g. attendance registers, time recording systems. • Review of final activity and financial reports received from beneficiaries for any discrepancies between planned and actual activities. • Requirement for beneficiaries to verify evidence supplied by third parties in support of the completion of activities e.g. attendance registers, timekeeping records. Review of the operation of this control by the MA for a sample of beneficiaries. • Requirement for beneficiaries to review final activity and financial reports for any discrepancies between planned and actual activities. Review of the operation of this control by the MA for a sample of

Annex 2

Recommended mitigating controls

	• Management verifications to be completed before certification • All applications for reimbursement to be subject to administrative verification, including review of claim and supporting documentation • On-the-spot verifications to be undertaken when the project is well under way • Evidence is kept for the work done and results obtained and follow up of findings • Sampling to be based on adequate risk assessment • Existence of procedures to ensure that certifying authority receives all necessary information **Audit trails** • Accounting records should be kept by the MA that provide detailed information on expenditure actually incurred in each co-financed operation by beneficiary • Technical specifications and financial plan of the operation, progress and monitoring reports, documents concerning application, evaluation, selection, grant approval and tendering and contracting procedures and reports on inspections of the products and services co-financed should be kept at an appropriate management level • The MA should verify whether the beneficiaries maintain either a separate accounting system or separate accounting code for all transactions • Procedures should be in place to ensure that all documents required to ensure an adequate audit trail are held	beneficiaries.
Uncompensated overtime claimed as actual cost		• Review of final financial and activity reports and supporting documentation for indications that overtime is being claimed (excessive numbers of working hours for project staff, fewer number of implementing staff than planned but all activities achieved). • Requirement for beneficiaries to review invoices from suppliers against supporting documentation for indications that overtime is being claimed (excessive numbers of working hours for project staff, fewer number of implementing staff than planned) Review of the operation of this control by the MA in a sample of beneficiaries.
Incorrect time rates claimed		• Review of final financial reports against evidence supporting actual salary costs incurred (e.g. contracts, payroll data) and time spent on project activities (e.g. time recording systems, attendance records). • For labour costs of third parties - the MA requires that beneficiaries review invoices for labour costs against evidence supporting actual salary costs incurred (e.g. contracts, payroll data) and time spent on project activities (e.g. time recording systems, attendance records). All evidence is scrutinised with appropriate scepticism. The MA reviews the operation of this control in a sample of beneficiaries.
Labour costs are apportioned incorrectly between projects		• Review of evidence from beneficiaries to independently verify the apportionment of staff costs for project activities e.g. attendance registers, time recording systems, data from accounting ledgers.
Inaccurate descriptions of activities completed by personnel		• Review of evidence from beneficiaries to independently verify the completion of project activities e.g. attendance registers, time recording systems. • Review of final activity and financial reports for discrepancies between planned and actual activities. • Requirement for beneficiaries to review evidence from third parties to independently support the completion of activities e.g. attendance registers, timekeeping records. Reviews of the operation of this control by the MA for a sample of beneficiaries. • Requirement for beneficiaries to review final activity and financial reports for any discrepancies between planned and actual activities. Review of the operation of this control by the MA for a sample of beneficiaries.
Staff costs claimed for personnel that do not exist		• Review of evidence from beneficiaries to independently verify the existence of staff e.g. contracts, social security details. • Requirement for beneficiaries to review evidence from third parties

Annex 2

Recommended mitigating controls

	Accounting, monitoring and financial reporting systems A computerised system capable of providing reliable and relevant information works effectively	that can independently verify the existence of staff e.g. contracts, social security details. Review of the operation of this control by the MA for a sample of beneficiaries.
Staff costs claimed for activities that took place outside of the implementation period		• Review of evidence from beneficiaries that can independently verify that costs were incurred within project deadlines e.g. original invoices, bank statements. • Requirement for beneficiaries to review evidence from third parties that can independently verify that costs were incurred within project deadlines e.g. original invoices, bank statements. Review of the operation of this control by the MA for a sample of beneficiaries.

Annex 2

Recommended mitigating controls

3. CERTIFICATION AND PAYMENTS

Overarching controls

- Conflict of interest policy, with an annual declaration and register
- Effective management verifications
- Whistle-blowing mechanism could be put in place for suspected fraudulent behaviour
- Regular adequate training courses on ethics and integrity, covering individual responsibilities.

Specific Fraud Risk	Control description	Recommended mitigating controls
Incomplete / inadequate management verification process that does not give adequate assurance against fraud	**Allocation of roles in MA and CA** • Clear definition and allocation of functions **Management verifications** • The existence of written procedures and comprehensive checklists for management verifications • Management verifications to be completed before certification • All applications for reimbursement to be subject to administrative verification, including review of claim and supporting documentation • On-the-spot verifications to be undertaken when the project is well under way • Evidence is kept for the work done and results obtained and follow up of findings • Sampling to be based on adequate risk assessment • Existence of procedures to ensure that certifying authority receives all necessary information **Certifications** • Adequate accounting records should be maintained in computerised form by the CA • Audit trail within the CA should allow reconciliation of the expenditure declared to the Commission with the	• Detailed secondary review by MA of a sample of management verifications, ensuring they have been performed in line with relevant guidelines and standards.
Incomplete / inadequate certification process that does not give adequate assurance against fraud		• Staff carrying out expenditure certifications are adequately qualified and trained, with up to date refresher training on fraud awareness. The MA reviews the adequacy of these training programmes. • Review by the AA of expenditure certifications performed by the CA, ensuring they have been performed in line with relevant guidelines and standards.
Conflicts of interest within the MA has undue influence on the approval of payments		• The payment process has several segregated stages of approval, where evidence for the validity of expenditure is required (e.g. independent audit opinions) before approval can be given
Conflicts of interest within the CA has undue influence on the certification		• The certification process has several segregated stages of approval before confirmation can be given for the validity of the expenditure

Annex 2

Recommended mitigating controls

3. CERTIFICATION AND PAYMENTS		
	statements received from MA • CA has specified the information that it requires on the procedures operated by the MA for the verification of expenditure and has put into place procedures to ensure that it receives it on a timely basis • CA reviews the reports reviews the reports drawn up by the MA • CA reviews the results of all audits • CA ensures that the results of these examinations are properly taken into account • CA reconciles and does an arithmetic check of the payment requests	

Annex 2

Recommended mitigating controls

4. DIRECT PROCUREMENT BY MANAGING AUTHORITIES (only if applicable)

Overarching controls

- Review of tender awards by a secondary mechanism other than the selection panel (e.g. senior level personnel within the MA)
- Regular independent audits
- Conflict of interest policy, with an annual declaration and register
- Whistle-blowing mechanism could be put in place for suspected fraudulent behaviour
- Regular adequate training courses on ethics and integrity, covering individual responsibilities and consequences for non-adherence.

Specific Fraud Risk	Control description	Additional recommended controls
Unjustified single source awards to avoid tendering or select favoured suppliers	**Audit trails** • Procedures should be in place to ensure that all documents required to ensure an adequate audit trail are held **Accounting, monitoring and financial reporting systems** • A computerised system capable of providing reliable and relevant information works effectively	• Prior approval for all single source awards are given by secondary mechanism other than the procuring department (e.g. senior level personnel within the MA).
Lack of tendering process for favoured suppliers		• Independent review of significant size contracts for evidence of tendering prior to payment of any invoices.
Extension / extension of existing contracts to avoid retendering		• Prior approval for all contract extensions are given by secondary mechanism other than the procuring department (e.g. senior level personnel within the MA).
Rigged specifications to favour certain bidders		• All contract notices are reviewed by a secondary mechanism than the procuring department prior to publication (e.g. senior level personnel within the MA), who each verify that bid specifications are not too narrow.
Leaking bid data		• A secondary panel conducts a review of a sample of winning bids against competition for any indications of prior knowledge of bid information. • High level of transparency in the award of contracts , such as the publication of all contract information that is not publically sensitive.
Undisclosed conflict of interest		• **Conflict of interest policy**, with an annual declaration and register
Bribes and kickbacks		• Enforced submission deadlines. • Review of a sample of winning bids for indications such as winning bids being very close to the next lowest bid, late bids winning, and / or evidence of the winning bidder communicating privately with contracting personnel.

Annex 3

ANTI-FRAUD POLICY[1] TEMPLATE

[*this template suggests how the managing authority (MA) could structure its anti-fraud policy statement, and also includes a commitment from the audit authority*]

Introduction

The Managing Authority (MA) for [*insert programme details*] is committed to maintain high legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty and wishes to be seen as **opposed to fraud and corruption** in the way that it conducts its business. All members of staff are expected to share this commitment. The objective of this policy is to promote a culture which deters fraudulent activity and to facilitate the prevention and detection of fraud and the development of procedures which will aid in the investigation of fraud and related offences and which will ensure that such cases are dealt with timely and appropriately.

A procedure is in place for the **disclosure of situations of conflict of interests**.

The term fraud is commonly used to describe a wide range of misconducts including theft, corruption, embezzlement, bribery, forgery, misrepresentation, collusion, money laundering and concealment of material facts. It often involves the use of deception to make a personal gain for oneself, a connected person or a third party, or a loss for another – intention is the key element that distinguishes fraud from irregularity. Fraud does not just have a potential financial impact, but it can cause damage to the reputation of an organisation responsible for managing funds effectively and efficiently. This is of particular importance for a public organisation responsible for the management of EU funds. Corruption is the abuse of power for private gain. Conflict of interests exists where the impartial and objective exercise of the official functions of a person are compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with e.g. an applicant for or a recipient of EU funds.

Responsibilities

- Within the MA, overall responsibility for managing the risk of fraud and corruption has been delegated to [*insert details of department or person]* who has the responsibility for
    - Undertaking a regular review, with the help of a risk assessment team, of the fraud risk;
    - Establishing an effective anti-fraud policy and fraud response plan;
    - Ensuring fraud awareness of staff and training;
    - Ensuring that the MA refers promptly investigations to competent investigation bodies when they occur;
- Process owners/managers of the MA are responsible for the day-to-day management of fraud risks and action plans, as set out in the fraud risk assessment and particularly for

[1] The anti-fraud policy statement, together with procedures for adequate fraud risk assessment and the putting in place of effective and proportionate anti-fraud measures through an action plan (whenever the net risk after controls is significant or critical), are key components of the managing authority's anti-fraud programme or strategy.

- Ensuring that an adequate system of internal control exists within their area of responsibility;
- Preventing and detecting fraud;
- Ensuring due diligence and implementing precautionary actions in case of suspicion of fraud
- Taking corrective measures, including any administrative penalties, as relevant.

- The Certifying Authorities have a system which records and stores reliable information on each operation; they receive adequate information from the MA on the procedures and verifications carried out in relation to expenditure
- The Audit Authority has a responsibility to act in accordance within professional standards[2] in assessing the risk of fraud and the adequacy of the control framework in place.

Reporting Fraud

The MA has procedures in place for reporting fraud, both internally and to the European Anti-Fraud Office *[……insert details of internal reporting lines and those reporting to the European Anti-Fraud Office….]*.

All reports will be dealt with in the strictest of confidence and in accordance with *[…insert details of relevant Data Protection/Disclosure Act…]*. Staff reporting irregularities or suspected frauds are protected from reprisals.

Anti-fraud measures

The MA has put in place proportionate anti-fraud measures based on a thorough fraud risk assessment (cf. the Commission's guidance on the implementation of Article 125.4 c)). In particular, it uses IT tools to detect risky operations (such as ARACHNE) and ensures that staff is aware of fraud risks and receives anti-fraud training. The MA carries out a vigorous and prompt review into all cases of suspected and actual fraud which have occurred with a view to improve the internal management and control system where necessary. *[…insert details of review procedures…]*.

Conclusion

Fraud can manifest itself in many different ways. The MA has a zero tolerance policy to fraud and corruption, and has in place a robust control system that is designed to prevent and detect, as far as is practicable, acts of fraud and correct their impact, should they occur.

[*Delete or retain, as relevant:*] This policy and all relevant procedures and strategies are supported by the *[…insert title of oversight body who will approve the Fraud Policy e.g. a Board..]* who will proactively review and update them on a continual basis.

[2] International Standards for the Professional Practice of Internal Auditing, International Standards on Auditing

AUDIT AUTHORITY

Verification of the Managing Authority's compliance with article 125.4 c) regarding

Fraud risk assessment and effective and proportionate anti-fraud measures for 2014-2020

		Prepared	Reviewed
C.0	Issues Log		
C1.1	Assessment Process		
C1.2	Gross Risk		
C.1.3	Existing Controls & Net Risk		
C.1.4	Action Plan and Target Risk		

C.0 – Issues Log

Test ref	Detected issue	Response from MA	Cleared

C1.1	Assessment Process	Y/N/ n/a	Comments
	Review the process for conducting the fraud risk assessment process and consider the following questions:		
1.	Did the assessment team contain people with appropriate knowledge and experience of: fraud risks and associated responses, the design and operating effectiveness of controls, risk assessments?		
2.	Was an adequate amount of time and resource spent on the exercise for it to be a meaningful and credible exercise?		
3.	Is there evidence that sources of information such as audit reports, fraud reports and control self-assessments were taken into account during the risk assessment process?		
4.	Was the self-assessment process clearly documented, allowing for clear review of the conclusion reached?		
5.	Is there evidence that senior management had adequate oversight and/or involvement in the process and that approved the net level of risk exposure?		

C1.2	Gross Risks	Y/N/ n/a	Comments
	Sample selection: **Select a sample of Risk References from the fraud risk assessment tool. This sample should:** **- cover all processes (1) selection of applicants, 2) implementation of programme, 3) certification and payments and 4) direct procurement by MA (when applicable))** **- include risks across all categories of gross risk scores (tolerable, significant and critical).** **For each of these risks, complete the following tests:**		
1	Review the Risk Impact (GROSS) score against the scoring scales in the 'Guidance Note on Fraud Risk Assessment'. Is the score consistent with: - explanations provided by the assessment team; - supporting evidence provided by the assessment team; - your knowledge of the GROSS risk environment.		
2	Review the Risk Likelihood (GROSS) score against the scoring scales in the 'Guidance Note on Fraud Risk Assessment'. Is the score consistent with: - explanations provided by the assessment team; - supporting evidence provided by the assessment team; - your knowledge of the GROSS risk environment.		
3	Has the total GROSS risk been calculated correctly and has it been correctly graded (tolerable, significant, critical)?		

C.1.3	Existing Controls and Net Risk	Y/N/ n/a	Comments
	Sample selection: **Select a sample of risks from the fraud risk assessment tool. This sample should:** **- cover all processes (1) selection of applicants, 2) implementation of programme, 3) certification and payments and 4) direct procurement by MA (when applicable))** **- include risks across the significant and critical GROSS risk scores.** **For each of these risks, complete the following tests:**		
1	Review the details of the existing controls that the assessment team have documented. For each, confirm the following:		
a.	Do these controls exist?		
b.	Do you agree with the assessment team's response regarding whether the operation of these controls is documented? Is there documentary evidence to support this?		
c.	Do you agree with the assessment team's response regarding whether the controls are regularly tested? Is there documentary evidence to support this?		

C.1.3	Existing Controls and Net Risk	Y/N/ n/a	Comments
2.	Review the score given for the effect of the combined controls on the gross risk IMPACT. Is the score consistent with: - your knowledge of the effectiveness of the design of the controls in mitigating the specific risk; - supporting evidence confirming that the controls are operating effectively (from testing carried out by the MA, the AA, IA or other audit body).		
3.	Review the score given for the effect of the combined controls on the gross risk LIKELIHOOD. Is the score consistent with: - your knowledge of the effectiveness of the design of the controls in mitigating the specific risk; - supporting evidence confirming that the controls are operating effectively (from testing carried out by the MA, the AA, IA or other audit body).		
4.	Has the total NET risk been calculated correctly and has it been correctly graded (tolerable, significant, critical)?		

C.1.4	Action Plan and Target Risk	Y/N/ n/a	Comments
	Sample selection: **Select a sample of risks from the fraud risk assessment tool. This sample should:** **- cover all processes (1) selection of applicants, 2) implementation of programme, 3) certification and payments and 4) direct procurement by MA (when applicable))** **- includes risks across the significant and critical NET risk scores.** **For each of these risks, complete the following tests:**		
1	Review the score given for the effect of the planned new controls on the net risk IMPACT. Is the score consistent with: - your knowledge of the effectiveness of the design of the controls in mitigating the specific risk;		
2	Review the score given for the effect of the planned new controls on the net risk LIKELIHOOD. Is the score consistent with: - your knowledge of the effectiveness of the design of the controls in mitigating the specific risk;		
3	Has the total TARGET risk been calculated correctly and has it been correctly graded (tolerable, significant, critical)?		

C.1.4	Action Plan and Target Risk	Y/N/ n/a	Comments
4	Do the planned additional controls appear to be optimal and well-considered?		