



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.”

Table of Contents

LIST OF ACRONYMS AND ABBREVIATIONS	4
1. Background	5
1.1. Regulatory references	5
1.2. Purpose of the guidance.....	5
2. Guidance.....	6
2.1. Key requirements and assessment criteria	6
2.2. Steps for the assessment.....	6
Annex I – Key requirements and assessment criteria	11
1. Key requirements in relation to the MA and its IB(s)	11
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	11
Key requirement 2: Appropriate selection of operations.....	11
Key requirement 3: Adequate information to beneficiaries	12
Key requirement 4: Adequate management verifications	13
Key requirement 5: Effective system in place to ensure that all documents regarding expenditure and audits are held to ensure an adequate audit trail	14
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	14
Key requirement 7: Effective implementation of proportionate anti-fraud measures	15
Key requirement 8: Appropriate procedures for drawing up the management declaration and annual summary of the final audit reports and of controls carried out.....	15
2. Key requirements in relation to the CA and its IBs.....	16
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	16
Key requirement 10: Adequate procedures for drawing-up and submitting payment applications.....	17
Key requirement 11: Appropriate computerised records of expenditure declared and of the corresponding public contribution are maintained	17

Key requirement 12: Appropriate and complete account of amounts recoverable, recovered and withdrawn	18
Key requirement 13: Appropriate procedures for drawing up and certifying the completeness, accuracy and veracity of the accounts	18
3. Key requirements in relation to the AA	19
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.....	19
Key requirement 15: Adequate system audits	19
Key requirement 16: Adequate audits of operations	20
Key requirement 17: Adequate audits of accounts.....	21
Key requirement 18: Adequate procedures for providing a reliable audit opinion and for preparing the ACR.....	21
Annex II: Evaluation of key requirement by the assessment criteria and by authority	23
Annex III: Overall conclusion by Management and control system.....	29
Annex IV: Table linking the key requirements with the designation criteria	30

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 (<i>hereafter CPR</i>)	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 four 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.

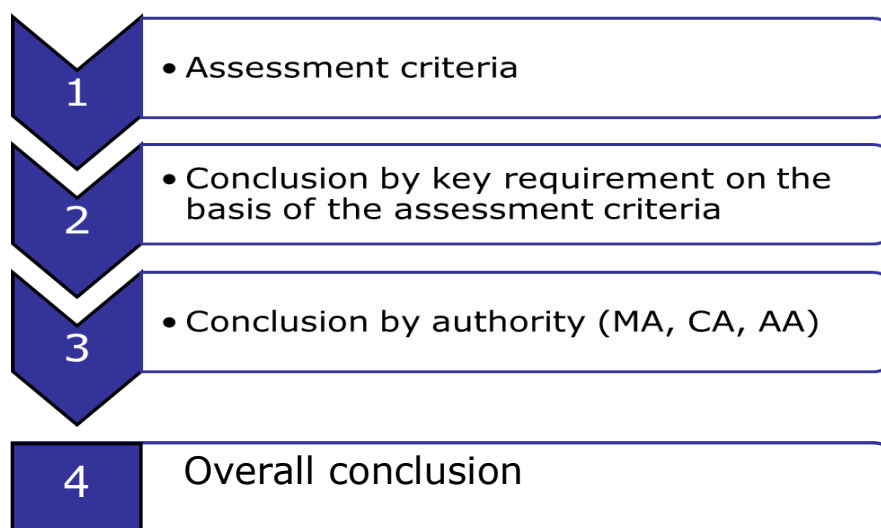
They concern:

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

18.5 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 published⁴.

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.

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,

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

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.).

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 MA and 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.

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

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)

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

18.4 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.

18.5 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 ⁷ . 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 2.2 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 27 and 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 All detected errors are appropriately reported and treated in view of the error rate and audit opinion.	
	18.4 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.	
	18.5 The ACR and Audit Opinion should cover all Member States concerned in programmes under the European territorial cooperation objective.	

Prepared by:
Reviewed by:

Date:
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				
<div> <div>Prepared by:</div> <div>Date:</div> </div> <div> <div>Reviewed by:</div> <div>Date:</div> </div>				

⁸ Very low, Low, Medium, High.

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

<i>Body</i>	<i>KR/AC</i>	<i>Related designation criteria (Annex XIII CPR)</i>
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)

<i>Body</i>	<i>KR/AC</i>	<i>Related designation criteria (Annex XIII CPR)</i>
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.