



Triennial revision of the Financial Regulation :

- **Commission proposal on the revision of the financial regulation COM (2010) 260 of 28 May 2010**
- **Followed by a consolidation of the proposed modifications to be brought into the Financial Regulation in COM (2010) 815 of 22 December 2010**

Context



Background of the changes affecting Cohesion policy

Accountability of Member States will be reinforced in line with Art. 317 TFEU:

- **Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with the principles of sound financial management.**
- **The Financial Regulations shall lay down the control and audit obligations of the Member States in the implementation of the budget and the resulting responsibilities.**

Context



Purpose of the changes affecting Cohesion policy

- Clarifying and reinforcing the respective responsibilities of the Commission and of the Member states in shared management
- Reinforcing the chain of accountability between the Member states and the Commission under shared management
- Introduction of a tolerable risk of error to have controls adjusted to the level of risks and costs

Context



Key changes proposed for shared management 2014+

- Accreditation process
- Management declaration of assurance
- Timely clearance of accounts/irregularities

Proposal



Responsibilities of the Member states under the new system (I)

Responsibilities in the Accreditation process

- Accreditation by MS of a body responsible for proper management and control of EU funds
- Accreditation criteria set out in sector specific rules
- Possibility for a supervisory role of the Commission

Proposal



Responsibilities of the Member states under the new system (II)

Responsibilities of the Accredited authority

- Proper management and control of EU funds.
- Submission by 1 February year 'n' of a management declaration subject to an independent audit opinion covering the payments of year 'n-1'
 - Completeness, accuracy and veracity of accounts
 - Proper functioning of the internal control system
 - Legality and regularity of underlying transactions
 - Respect of sound financial management
- Submission of summary of audits and controls
- Submission of annual accounts

Proposal



Proposal

Responsibilities of the Commission under the new system

- Possibility of supervising the accreditation
- Timely financial clearance of the accounts of the accredited body to check their completeness, accuracy and truth
- Timely clearance of irregularity cases
- Possibility of suspension (by the Commission)/ interruption (by the AOD) of payments
- Possibility of financial corrections



Timing

Timing

- **Timing of the revision of the FR**
 - June 2010 - 2011: Negotiations with Council and EP. Adoption of the Financial Regulation subject to ordinary legislative procedure
 - End 2011: Planned adoption of FR
 - January 2012 : Planned entry into force of FR
- **Entry into force of the modifications :**
 - New provisions on shared management will apply from the date of entry into application of the rules applicable to Structural Funds after 2013
 - For 2007-2013 programmes current rules will continue to apply
- ❖ **First reactions of ECA, Council, EP**



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**HOW WILL THE REVISED
FINANCIAL
REGULATION AFFECT
COHESION POLICY AND
ETC PROGRAMMES?**



2007-2013 structures

Certifying Authority

Managing Authority

Audit Authority

Independent scrutiny of the work of the Managing Authority through the certification of the legality and regularity of expenditure to the EC

Overall responsibility for compliance of interventions with rules.

1st level (desk based and on-the-spot) controls

Independent audit of the management and control systems and of expenditure.

Annual audit opinion to the EC

Management Structures

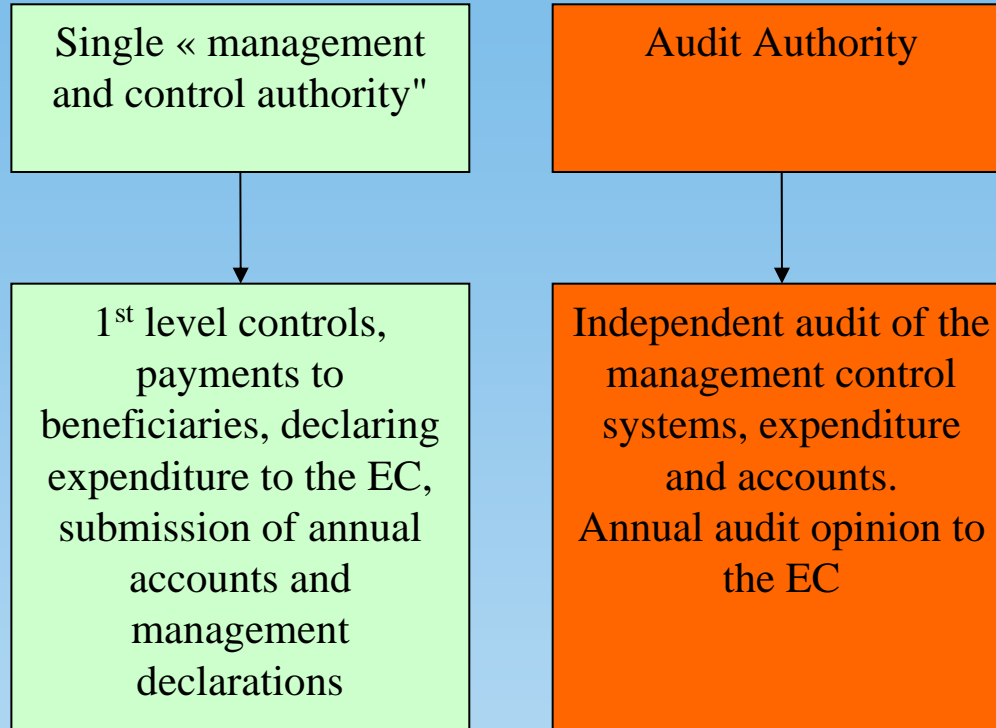
ETC specificities

❖ AA in the MS hosting the MA (Art 14 Reg. (EC)1080/2006; assisted by a GoA (art14 (2) Reg. (EC)1080/2006)

❖ 1st level check done by controllers in each participating MS (Art16 Reg.(EC) 1080/2006) or by a designated controller



Alternative



Management structures

ETC specificities

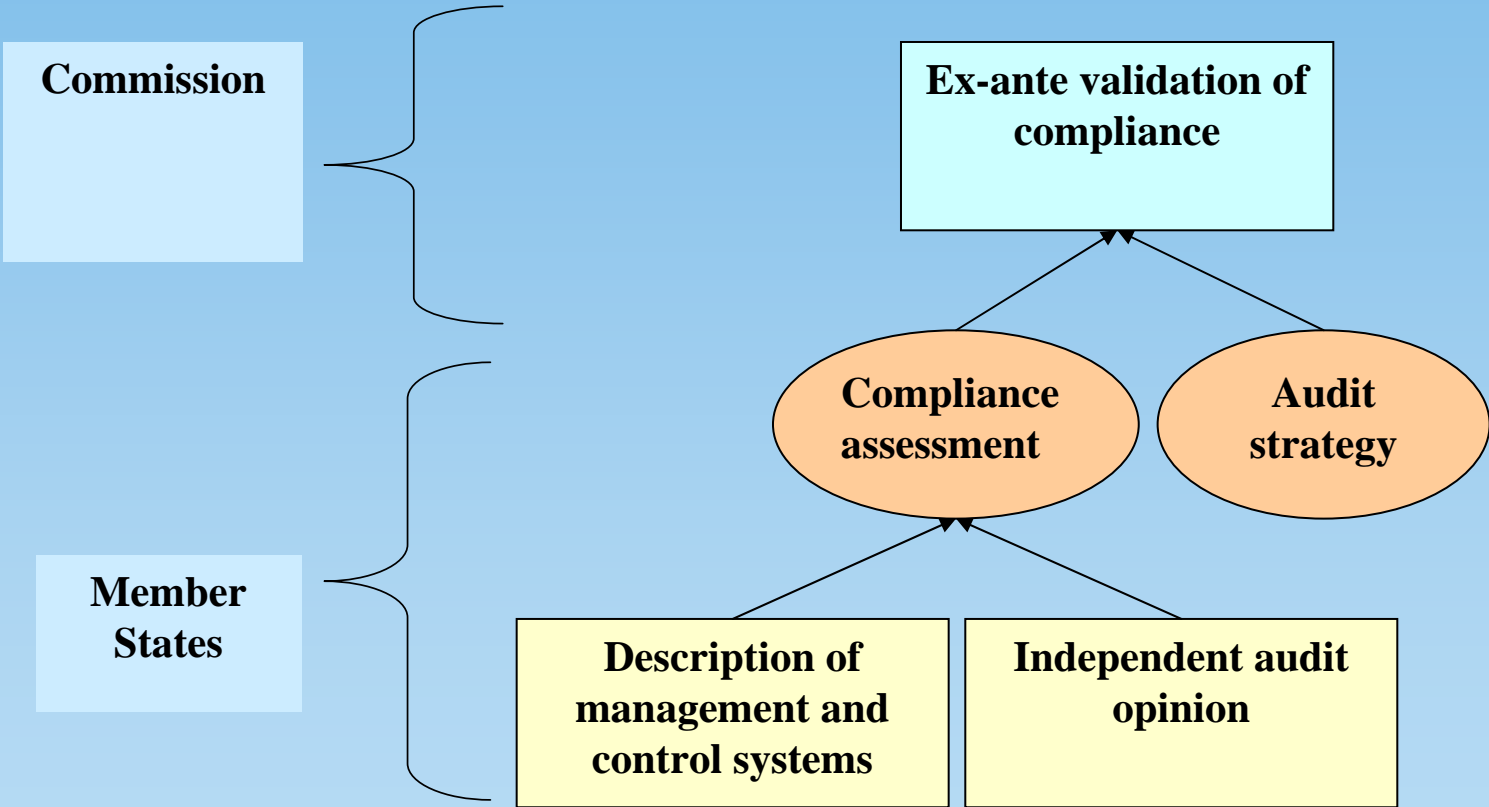
- ❖ 1st level checks by a designated controller or controllers in each participating MS
- ❖ AA in the MS hosting MA + assisted by a GoA
- ❖ Clarification of the role of MS for the control of activities carried out on its territory



2007-2013 ex-ante assessment

Supervisory
role

ETC
specificities



❖ No specificities



**Supervisory
role**

**ETC
specificities**

Alternative

- National accreditation on the basis of criteria fixed in sector specific rules
 - Continuous supervision of activities of the accredited body by the accrediting authority. Possibility of withdrawal of accreditation
 - No ex-ante compulsory validation of the audit strategy
-
- ❖ Agreement of MS participating in an ETC OP on the designation of the MA by the hosting MS



2007-2013 system

- Expenditure is certified prior to submission of payment applications to the Commission
- Annual assurance is based mainly on the annual audit opinion on the functioning of the system
- ❖ 1st level check of expenditure by national controllers

**Certification
and assurance**

**ETC
specificities**



Alternative

- Certification of expenditure to the Commission once a year (1st February)
 - Management declaration;
 - Independent audit opinion.
 - Annual accounts;
 - Annual summaries.
- ❖ ECT OPs: As for 2007-2013 assurance shall be given by the accredited body located in a given MS for expenditure incurred in another MS

**Certification
and assurance**

**ETC
specificities**



Timing of audits

2007-2013	2014+
01/01 N-1 - 31/12 N-1: expenditure declared to the Commission	1/10 N-1 - 30/09 N: expenditure declared to the Commission
30/6 N-1 - 30/6 N: audit reference period	Audit reference period to be defined
31/12 year N: annual control report sent to the Commission 15 May N+1 Discharge	By 1/02 year N+1 audit opinion of the management declaration 15 May N+1 Discharge



2007-2013 closure system

- Closure takes place 15 months after the final date of eligibility of a programme
- Earlier partial closure is possible, not mandatory
- Retention period for the audit trail/audit period = until 3 years after (partial) closure of the programme

❖ No Specificities

Clearance

ETC

specificities



Alternative

- Timely clearance of accounts (strengthening the discharge exercise)
- Rolling closure of operations (starting of related 3 years retention period)
- Timing of Audit work to be adapted
- Simplified closure of programmes
- ❖ No specificities. Timing of Audit work to be adapted

Clearance

**ETC
specificities**



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Thank you for your attention
and for your reactions !