



EUROPEAN COMMISSION
DIRECTORATES-GENERAL
EMPLOYMENT, SOCIAL AFFAIRS AND INCLUSION
REGIONAL AND URBAN POLICY
MARITIME AFFAIRS AND FISHERIES
MIGRATION AND HOME AFFAIRS

METHODOLOGICAL NOTE¹
on the Preparation, Submission, Examination and
Audit of Accounts
programming period 2021-2027

¹ **DISCLAIMER.** This note expresses the views of the Commission services and does not commit the European Commission. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law.

CONTENTS

CONTENTS.....	2
LIST OF ACRONYMS AND ABBREVIATIONS.....	3
INTRODUCTION	4
1. PREPARATION OF ACCOUNTS	5
1.1. Appendix 1 to the accounts - Amounts entered into the accounting system of the body carrying out the accounting function	5
1.2. Appendix 2 to the accounts - Amounts withdrawn during the accounting year	7
1.3. Appendix 3 - Amounts of programme contributions paid to financial instruments	8
1.4. Appendix 4 to the accounts - Reconciliation of expenditure	9
1.5. Appendix 5 and Appendix 6 - Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled	14
1.6. Appendix 7 - Advances paid in the context of State aid under Article 91(5).....	15
1.7. Implementation of financial corrections for established irregularities	17
2. SUBMISSION AND EXAMINATION OF ACCOUNTS.....	20
2.1. Submission of accounts	20
2.2. Examination of the accounts.....	21
3. AUDIT OF ACCOUNTS	24
3.1. Use of results of system audits for the audit of accounts.....	26
3.2. Use of results of audit of operations for the audit of accounts	28
3.3. Final additional checks on the draft accounts.....	29
3.4. Audit opinion on the accounts	32
ANNEX 1 – Mapping the reconciliations between the final payment application for an accounting year and accounts.....	33

LIST OF ACRONYMS AND ABBREVIATIONS

AA	Audit Authority
BAF	Body carrying out the accounting function
ACR	Annual Control Report
Accounts - Appendix 1	Amounts entered into the accounting system of the accounting function in accordance with Article 98(3)(a) CPR (Annex XXIV CPR)
Accounts - Appendix 2	Amounts withdrawn during the accounting year in accordance with Articles 98(3)(b) and 98(7) CPR (Annex XXIV CPR)
Accounts - Appendix 3	Amounts of programme contributions paid to financial instruments in accordance with Article 98(3)(c) CPR (Annex XXIV CPR)
Accounts - Appendix 4	Reconciliation of expenditure in accordance with Articles 98(3)(d), 98(7) CPR (Annex XXIV CPR)
Accounts - Appendix 5	Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled (Annex XXIV CPR)
Accounts - Appendix 6	Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled for AMIF, ISF and BMVI ² (Annex XXIV CPR)
Accounts - Appendix 7	Advances paid in the context of State aid under Article 91(5) CPR (Annex XXIV CPR)
AMIF	Asylum, Migration and Integration Fund
BMVI	Border Management and Visa Policy
CPR	Regulation (EU) 2021/1060 of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy
EMFAF	European Maritime, Fisheries and Aquaculture Fund
FR	Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18.07.2018 on the financial rules applicable to the general budget of the Union
IB	Intermediate body
ISF	Internal Security Fund
KR	Key Requirement
MA	Managing Authority
MCS	Management and Control System
TER	Total error rate, as defined in Article 2(35) CPR
RER	Residual error rate, as defined in Article 2(36) CPR

² Asylum, Migration and Integration Fund, Internal Security Fund and Instrument for Financial Support for Border Management and Visa Policy

INTRODUCTION

The objective of this methodological note is to clarify the application of the rules in relation to the preparation and submission of the accounts by the Member States, including the audit work expected to be carried on the accounts by the audit authorities, and the examination of accounts by the Commission in the 2021-2027 programming period, in line with the Common Provisions Regulation (CPR) – Regulation (EU) 2021/1060 of 24 June 2021.

This document is therefore organised to provide clarifications regarding the following processes:

- ✓ how to submit the accounts to the Commission using the models set out in Annex XXIV CPR;
- ✓ the preparation, submission and examination of accounts under Articles 98 to 102 CPR; and
- ✓ the expected audit work to be carried out by audit authorities with regard to the audit of accounts in compliance with Articles 70, 77 to 79 CPR.

This note is **in first instance intended for the audit services of the Directorates General REGIO, EMPL, MARE and HOME** managing the shared management Funds³ under the CPR for the purpose of their assessment carried out under the examination of accounts. But this note can also be shared with other services of the Commission as needed, as well as with Member States authorities in the management and control system to inform them on the approach applied by the Commissioner services.

³ The European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund (CF), the Just Transition Fund (JTF), the European Maritime, Fisheries and Aquaculture Fund (EMFAF), the Asylum, Migration and Integration Fund (AMIF), the Internal Security Fund (ISF) and Border Management and Visa Instrument (BMVI).

1. PREPARATION OF ACCOUNTS

1.1. Appendix 1 to the accounts - Amounts entered into the accounting system of the body carrying out the accounting function

The information on amounts at priority level (and category of region) entered into the accounting system of the MA/BAF⁴ must be submitted to the Commission using the model set out in **Appendix 1**⁵.

Priority / Specific objective	Total amount of eligible expenditure entered into the accounting systems of the MA/BAF which has been included in payment applications for the accounting year in accordance with point (a) of Article 98(3)	The amount for technical assistance in accordance with point (b) of Article 91(3)	Total amount of the corresponding public contribution made or to be made in accordance with point (a) of Article 98(3)
	(A)	(B)	(C)
Priority (category of region)			

The eligible expenditure for the accounting year is reported in **Appendix 1**.

Like for the information presented in the payment applications, the amounts reported in **Appendix 1** should not include expenditure linked to specific objectives for which enabling conditions are not fulfilled, except for operations that contribute to the fulfilment of enabling conditions⁶. Also, in cases where the expenditure is reported in the final payment application for the accounting year as linked to unfulfilled enabling conditions and these conditions are subsequently fulfilled before the accounts are submitted, these amounts cannot be included in Appendix 1. Such amounts are to be first declared in a payment application of the next accounting year as expenditure linked to the fulfilled enabling condition and then included in the Appendix 1 of the accounts of that year⁷.

⁴ For AMIF, ISF and BMVI, the accounting function is carried out by the managing authority or under its responsibility, in line with Article 72(3) CPR.

⁵ For AMIF/ISF/BMVI the structure of Appendix 1 is slightly different. There is no separate column to report on technical assistance expenditure as technical assistance is to be reported as a specific objective as a line entry in the accounts as per Article 36(5) and Article 37 CPR.

⁶ Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled are presented in Appendix 2 to the payment application.

⁷ In SFC2021 under monitoring tab, there is a structural data module “Enabling conditions” to monitor fulfilment of enabling conditions that were unfulfilled at programme adoption, but also any subsequent modification in respect

Explanations on columns (A), (B) and (C) of Appendix 1

COLUMN A

Column A contains the total amount of eligible expenditure entered into the accounting systems of the MA/BAF and which has been included in the payment applications for the accounting year, submitted to the Commission in accordance with Article 98(3)(a) CPR. **This is a cumulative figure within the accounting year.** It corresponds to the amount declared in the final payment application of that accounting year, minus possible subsequent deductions, including those resulting from any management verifications, audit or control activity, expenditure under ongoing assessment, applied directly in the accounts (i.e. deductions not yet reflected in the final payment application for the accounting year)⁸.

Consequently, Column (A) should correspond to the sum of columns (B) and (C) of the final payment application for the accounting year (see Annex XXIII CPR), minus possible deductions applied directly in the accounts.

COLUMN B⁹

The amount in column (B) is calculated automatically by SFC2021 applying the technical assistance flat rate percentages resulting from the financing plan of the programme either to the total eligible expenditure or to the public contribution, depending on the calculation basis chosen by the Member State.¹⁰

COLUMN C¹¹

Column (C) contains the amount of the corresponding public contribution (as defined in Article 2(28) CPR) made or to be made in accordance with Article 98(3)(a) CPR in relation to expenditure reported in column (A). The amount reported in column (C) should be therefore equal to or lower than the amount requested in column (A).

of the fulfilment of the enabling conditions. This module mirrors the Table 12 in the programme and it should include relevant information from the Member State (letters and background information) as well as results of the Commission's assessment.

⁸ Any deductions made in the payment application(s) during the accounting year are already included given that the final payment application is cumulative for the accounting year.

⁹ Not applicable for AMIF/BMVI/ISF. However, the same automatic calculation will be done for the flat rate technical assistance reported as a specific objective as a line entry.

¹⁰ For the EMFAF the co-financing rate applies only on "Total eligible public expenditure". Therefore, for the EMFAF, the calculation base will automatically be adjusted to "Public".

¹¹ Column B for AMIF/ISF/BMVI.

1.2. Appendix 2 to the accounts - Amounts withdrawn during the accounting year

Priority / Specific objective	Withdrawals	
	Total amount of expenditure included in payment applications	Corresponding public contribution
	(A)	(B)
Priority (category of region)		
Split of amounts withdrawn during the accounting year by accounting year of declaration of the corresponding expenditure		
In relation to accounting year ending 30 June XX ... (total)		
Out of which amounts corrected as a result of AA audits		
Out of which amounts corrected as a result of EC and ECA audits and OLAF investigations		

As clarified below, the corrections for irregular expenditure applied during the accounting year are implemented in the payment applications via withdrawals. Consequently, all these corrections are reported as withdrawals in Appendix 2. Corrections other than irregular expenditure (e.g. clerical or technical mistakes) implemented in the payment applications via withdrawals should not be disclosed in Appendix 2.

Appendix 2 should also, where relevant, contain the information on the amounts corrected in the payment applications as result of audits, according to the accounting year in which the corresponding expenditure was declared to the Commission. The amounts reported in Appendix 2 shall consist of withdrawals of expenditure concerning also previous accounting years (e.g. irregular amounts detected and corrected in the current accounting year but which relate to expenditure declared in the previous accounting years).

The amounts in Appendix 2 cover all corrections resulting from all audits carried out by the AA as well as any other national audits, the Commission and the European Court of Auditors (ECA) audits (such as audits of operations, system audits, horizontal audits etc.) and can include individual and systemic corrections as well as any flat rate and extrapolated corrections, including those aiming at reducing the risk identified by the AA below the materiality level of 2%¹². The corrections can also result from OLAF investigations. The amounts stemming from EC and ECA audits and OLAF investigations should be disclosed separately.

¹² For example: Corrections applied based on further verifications by the managing authority to delimit a systemic error detected by the AA or to implement an action plan launched as a result of an audit.

Further explanations about irregularities expected to be withdrawn from payment applications and disclosed in Appendix 2, are provided in section 1.7 below.

1.3. Appendix 3 - Amounts of programme contributions paid to financial instruments

Similar to Appendix 1 of the payment application, Appendix 3 concerns financial instruments implemented under the responsibility of the MA pursuant to Article 59(2) CPR. It contains information on the amount of programme contributions (an advance) declared in the first payment application that includes expenditure for financial instruments and on the clearance of this amount according to Article 92(3) CPR, cumulative from the start of the programme.

Priority / Specific objective	Amount included in the first payment application and paid to the financial instrument in accordance with Article 92 (maximum 30 % of the total amount of programme contributions committed to [the] financial instrument[s] under the relevant funding agreement)		Corresponding cleared amount as referred to in Article 92(3)	
	(A)	(B)	(C)	(D)
	Total amount of programme contributions paid to financial instruments	Total amount of corresponding public contribution	Total amount of programme contributions pursuant to point (b) of Article 92(2)	Total amount of corresponding public contribution
Priority (category of region)				

The amounts (per priority and per category of region) included in columns (A) and (B) cannot be higher than 30% of the total amount of programme contribution committed to the financial instrument under the relevant funding agreement. The amount included in column (B) should be equal to or lower than the amount included in column (A). These amounts are also included in columns (A) and (C) of Appendix 1 respectively. Consequently, where amounts deducted from the accounts (in Appendix 1) contain expenditure related to financial instruments that has been reported also in Appendix 3, Appendix 3 should be adjusted accordingly.

The amounts included in columns (A) and (B) are linked to specific objectives for which enabling conditions are fulfilled or operations that contribute to the fulfilment of enabling conditions. If an enabling condition is not fulfilled for the specific objective under which FIs are

implemented, the amount related to 30% should be presented in Appendix 5¹³ to the accounts and should not be presented in Appendix 3.

The amounts in columns (C) and (D) contain corresponding cleared amounts, i.e. eligible expenditure as referred to in Article 68(1) CPR, clearing the amount of programme contributions (an advance) reported in columns (A) and (B) respectively. These amounts should not be included in the amount reported in Appendix 1 to the accounts. Any other eligible expenditure beyond the amounts clearing the advance payment should only be reported in Appendix 1.

In case of financial instruments implemented directly by the managing authority pursuant to Article 59(1) CPR, the eligible amounts disbursed, or in case of guarantees, the amounts set aside for guarantee contracts, by the managing authority to final recipients as referred to in points (a) and (b) of Article 68(1) CPR are included only in the amounts reported in Appendix 1 and not in Appendix 3.

1.4. Appendix 4 to the accounts - Reconciliation of expenditure

The MA/BAF can deduct amounts directly from the accounts provided that the amounts deducted refer to the expenditure declared in the current accounting year. For this reason, the amounts in the final payment application in relation to the accounting year submitted to the Commission by 31 July could be higher than the amounts eventually included in the programme accounts for the respective accounting year. Appendix 4 discloses reconciliation of differences between expenditure declared in the final payment application for the accounting year and the expenditure reported in the accounts.

¹³ Similar to Appendix 2 to the payment application.

Appendix 4 - Reconciliation of expenditure

Priority	Total eligible expenditure included in payment applications submitted to the Commission		Expenditure declared in accordance with Article 98 of the Regulation		Difference		Comments (obligatory in case of difference for each type of deduction in accordance with Article 98(6))			
					(E=A-C)	(F=B-D)	Blocking control in SFC2021: G1 + G2 + G3 = E			
	Total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations linked to specific objectives for which enabling conditions are fulfilled or operations that contribute to the fulfilment of enabling conditions, as entered in the system of the body carrying out the accounting function	Total amount of public contribution made or to be made in implementing operations linked to specific objectives for which enabling conditions are fulfilled or operations that contribute to the fulfilment of enabling conditions, as entered in the system of the body carrying out the accounting function	Total amount of eligible expenditure entered into the accounting systems of the accounting function and which has been included in payment applications submitted to the Commission linked to specific objectives for which enabling conditions are fulfilled or to operations that contribute to the fulfilment of enabling conditions	Total amount of the corresponding public contribution made or to be made in implementing operations linked to specific objectives for which enabling conditions are fulfilled or to operations that contribute to the fulfilment of enabling conditions			Expenditure subject to an ongoing assessment of its legality and regularity	Irregular expenditure subject to financial corrections	Other deductions	Comments (<i>free text</i>)
	(A)	(B)	(C)	(D)	(E)	(F)	(G1)	(G2)	(G3)	(G4)
(...)										
Grand total										
Out of which amounts corrected in the current accounts as a result of AA audits										
Out of which amounts corrected in the current accounts as a result of EC and ECA audits and OLAF investigations										

Columns A and B

The data of these columns are generated automatically by SFC2021 based on the final payment application for the accounting year.

The columns B and C of the payment applications submitted to the Commission for the accounting year concerned include the total eligible expenditure. As the payment applications are cumulative in the accounting year, these data should match with the amounts indicated in the final payment application for that accounting year.

Column A in Appendix 4 to the accounts contains the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations linked to specific objectives for which enabling conditions are fulfilled or operations that contribute to the fulfilment of enabling conditions, as entered in the system of the MA/BAF. The amounts entered in column A of the Appendix 4 to the accounts represent the sum of:

- Column B in the final payment application for the accounting year: the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations in accordance with Article 91(3)(a) and Article 91(4)(c) CPR; and
- Column C in the final payment application for the accounting year: the total amount of Union contribution pursuant to Article 91(4)(a) and (b) CPR.

Column B in Appendix 4 to the accounts contains the total amount of public contribution made or to be made in implementing operations linked to specific objectives for which enabling conditions are fulfilled or operations that contribute to the fulfilment of enabling conditions, as entered in the system of the MA/BAF. The amounts entered in column B of the Appendix 4 to the accounts represent the amounts in Column E¹⁴ in the final payment application for the accounting year: total amount of public contribution made or to be made in accordance with Article 91(3)(c) CPR.

Columns C and D

The data of these columns are generated automatically by SFC2021 on the basis of the amounts entered under Appendix 1 to the accounts.

The two columns (C and D) contain the expenditure declared in the accounts in accordance with Article 98(3)(a) CPR.

Column C contains the total amount of eligible expenditure entered into the accounting systems of the accounting function and which has been included in payment applications submitted to the Commission linked to specific objectives for which enabling conditions are fulfilled or to

¹⁴ Column D for AMIF, BMVI and ISF.

operations that contribute to the fulfilment of enabling conditions. The amounts entered in column C of the Appendix 4 to the accounts equal the amounts in Column A in the Appendix 1 to accounts.

Column D contains the total amount of the corresponding public contribution made or to be made in implementing operations linked to specific objectives for which enabling conditions are fulfilled or to operations that contribute to the fulfilment of enabling conditions. The amounts entered in column D of the Appendix 4 to the accounts equal the amounts in Column C in the Appendix 1 to accounts.

Columns E, F and G

The differences between expenditure declared in the final payment application of the accounting year (two first columns A and B) and the expenditure in the accounts (next two columns C and D) may stem mainly from deductions resulting from the audit work and/or management verifications after the end of the accounting year. They are shown in the columns E (difference of the columns A – C) and F (difference of the columns B – D). The data of columns E and F are generated automatically by SFC2021, except for the last two lines with information on amounts related to AA, EC and ECA audits or OLAF investigations.

The adjustments should be negative, thus reducing the expenditure declared under the final payment application for the accounting year. Positive adjustments (additional eligible expenditure) should be reflected in a subsequent payment application and not in the accounts (clerical mistakes for instance).

In case of differences (amounts in columns E and F), concise, complete and comprehensive explanations should be provided in the last column (G4), including references to related documents (annual control reports, Court decisions, etc.) where necessary¹⁵. This information should clearly distinguish (the amounts should be split accordingly) between following types of deductions:

- a) Column G1 - Expenditure which is subject to an ongoing assessment (pending conclusions for its assessment) of its legality and regularity;
- b) Column G2 - Irregular expenditure which has been subject to financial corrections and other amounts as necessary to reduce the residual error rate of the expenditure declared in the accounts to 2% or below; and
- c) Column G3 – Other deductions than those listed under G1 and G2 not related to irregularities (e.g. clerical or technical mistakes).

¹⁵ If needed the Member State can add a separate note to provide further explanation.

Moreover, similarly to Appendix 2 for withdrawals, the adjustments¹⁶ resulting from audits by the AA (this includes audits of operations and system audits according to Article 77(1) CPR and additional amounts corrected to reduce the residual error rate to 2% or below) are disclosed on a separate line of the table. The amounts stemming from the Commission and the ECA audits or from OLAF investigations should be reported separately from the AA audits in the last lines of the table. Any corrections listed under these lines should be financial corrections in accordance with Article 103 and where applicable, Article 104. In case, following an audit, amounts are removed from the accounts to be further verified (i.e. amounts under ongoing assessment according to Article 98(6) CPR), these amounts should be indicated only in column G1.

The MA/BAF should provide in column G4 relevant information, which is concise, complete and comprehensive and to explain the context and give reference to related national documents where necessary (control reports, Court decisions, etc.). If necessary, the text in column G4 can be further explained in the annual control report.

Expenditure under ongoing assessment (Article 98(6)(b) CPR):

Where the MA has doubts about the legality and regularity of expenditure, it is recommended that it does not include such expenditure in the payment application. However, when expenditure has already been included in a payment application and at the moment of the submission of the accounts there is a doubt regarding the legality and regularity of that expenditure¹⁷ and therefore further assessment of this expenditure is ongoing, the MA/BAF shall in accordance with Article 98(6)(b) CPR deduct the concerned expenditure under ongoing assessment from the accounts to be submitted to the Commission (with the possibility to later reintroduce such expenditure once found to be legal and regular)

The amounts related to an ongoing assessment are not considered as financial corrections and should be disclosed in column G1 of Appendix 4.

¹⁶ These adjustments include individual corrections (in relation to individual operations audited), extrapolated corrections (aiming at further reducing the risk identified by the below materiality) but also financial corrections applied by the Member State after the AA drew its sample if such corrections intend to reduce the risk identified by the AA's error rate.

¹⁷ E.g. there are ongoing audits by the AA or EU institutions auditors with preliminary financial errors for which definitive results are not yet available.

1.5. Appendix 5 and Appendix 6¹⁸ - Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled¹⁹

Priority / Specific objective	Calculation basis (public or total)	Amount of eligible expenditure incurred by beneficiaries and paid in implementing operations in accordance with Article 91(3)(a) or (c) or Union contribution pursuant to Article 91(4) linked to non-fulfilled enabling conditions within the meaning of Article 15(5) or (6), with the exception of operations that contribute to the fulfilment of enabling conditions		Amount of eligible expenditure incurred by beneficiaries and paid in implementing operations in accordance with Article 91(3)(a) or (c) or Union contribution pursuant to Article 91(4) linked to fulfilled enabling conditions within the meaning of Article 15(5) or (6), or contributing to the fulfilment of enabling conditions	
		Total	Public	Total	Public
		(A)	(B)	(C)	(D)
Priority (category of region)					

Appendices 5 and 6 contain information on the expenditure linked to the specific objectives for which the enabling conditions are not fulfilled. Appendix 5 covers ERDF, ESF+, CF, JTF and EMFAF²⁰ and Appendix 6 covers AMIF, ISF and BMVI. The amounts in both Appendices are reported cumulatively from the beginning of the programming period.

The amounts linked to non-fulfilled conditions are reported in column (B) disclosing the total expenditure and column (C) disclosing the corresponding public expenditure.

The amounts disclosed in columns (D) and (E) refer to expenditure linked to fulfilled enabling conditions or contributing to the fulfilment of these conditions and should be equal to the cumulative amounts in columns (A) and (C) of Appendix 1 respectively, reported in the accounts since beginning of the programming period. The amounts of technical assistance as flat rate are not included in the Appendices 5 and 6.

¹⁸ Similar to Appendixes 2 and 3 to the payment application.

¹⁹ Enabling conditions do not apply to Interreg Programmes, therefore no information required.

²⁰ European Regional Development Fund, European Social Fund Plus, Cohesion Fund, Just Transition Fund and European Maritime, Fisheries and Aquaculture Fund.

Pursuant to Article 98(4) CPR, the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations linked to specific objectives for which enabling conditions are not fulfilled should not be part of the assurance package²¹.

1.6. Appendix 7 - Advances paid in the context of State aid under Article 91(5)²²

Priority / Specific objective	Total amount paid as advances ²³	Amount which has been covered by expenditure paid by beneficiaries within 3 years following the year of the payment of the advance	Amount which has not been covered by expenditure paid by beneficiaries and for which the 3 years period has not yet elapsed
	(A)	(B)	(C)
Priority (category of region)			

Advances may be paid to the beneficiaries by the body granting the aid and included in a payment application to the Commission, in accordance with Article 91(5) CPR and under the cumulative conditions stated therein.

In line with Article 91(5) CPR, Member States must disclose the information covered by columns A, B and C in Appendix 4 of each payment application to the Commission. Adjustments of these amounts included in the final payment application should be reflected in Appendix 7 to the programme accounts.

The information reported by the Member States in this Appendix 7 to the programme accounts will be used by the Commission for the preparation of its own annual accounts. It enables the Commission to identify the part of declared expenditure in the payment applications that are advances, as pre-paid expenditure in the accounts of the Commission.

²¹ No confirmation of legality and regularity of expenditure is expected as not part of the audit population for the audit of operations.

²² Cumulative from the start of the programme.

²³ This amount is included in the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations as mentioned in the payment application. As State aid is by nature public expenditure, this total amount is equal to public expenditure.

In case amounts that are deducted from the accounts (in Appendix 1) contain expenditure related to advances paid in the context of State aid, these amounts should be reflected accordingly in Appendix 7²⁴.

The data in Appendix 7 to the programme accounts will be reported cumulatively from the start of the programme (contrary to Appendix 1 which refers to cumulative amounts within the accounting year). The sum of columns B and C must be equal to the amount in column A. Total programme contributions have to be reported (EU + national co-financing).

COLUMN A

Column A contains the total amount paid from the programme to operations as advances in the context of State aid. It is the amount of EU and national public contributions paid as advances by the MA to the beneficiaries.

The amount in this column derives from the cumulative data reported under the final payment application (Annex XXIII CPR, Appendix 4 – column A), reflecting any deductions, if relevant.

In case there are amounts which have not been covered by expenditure paid by beneficiaries and for which the three-year period has elapsed, the cumulative amounts reported in column (A) should be reduced with the corresponding amounts withdrawn from the expenditure declared to the Commission.

COLUMN B

Column B contains the amount which has been covered by expenditure paid by the beneficiaries to clear the advances paid to them by the body granting the State aid and already declared to the Commission. The expenditure, supported by receipted invoices or accounting documents of equivalent probative value, must be paid at the latest within three years following the year of the payment of the advance or on 31 December 2029, whichever is earlier.

This amount corresponds to expenditure already incurred and paid by beneficiaries and covered by the advances already declared to the Commission.

The amount in this column derives from the cumulative data reported under the final payment application (Annex XXIII CPR, Appendix 4 – column B), reflecting any deductions, if relevant.

²⁴ In case amounts related to advances paid in the context of State aid are deducted in the accounts, the Appendix in the following payment application should also be adapted accordingly unless the amounts are already re-declared in this payment application.

COLUMN C

Column C contains the amount of the State aid advances paid to beneficiaries, but which has not been covered by expenditure paid by beneficiaries and for which the three-year period has not yet elapsed. This three-year period is calculated following the year of the payment of advance but not later than 31 December 2029.

The amount in this column derives from the cumulative data reported under the final payment application (Annex XXIII CPR, Appendix 4 – column C), reflecting any deductions, if relevant.

1.7. Implementation of financial corrections for established irregularities

Financial corrections for irregular expenditure declared to the Commission should be implemented by correcting this expenditure either by withdrawing it from the next payment application (including the final payment application) or deducting it directly from the accounts, in line with Article 98(3)(b), (6)(a) or (7) CPR, as applicable. The legality and regularity of expenditure submitted to the Commission has to be ensured by the MS in the accounts (Article 69(2) CPR).

Consequently, when implementing financial corrections, Member States have the following possibilities depending on whether the financial corrections affect (a) expenditure included in a payment application in relation to the current²⁵ accounting year or (b) expenditure declared in previous accounts:

- a) In case of irregular expenditure included in a payment application in relation to the current accounting year, the MS should deduct it the latest from the accounts. If the irregular expenditure is *corrected in the payment applications for the accounting year*, it is reported in **Appendix 2** to the accounts as a withdrawal related to the current accounting year.

If the irregular expenditure is *deducted directly from the accounts*²⁶ (i.e. reducing the expenditure presented in Appendix 1) it has to be explained in **Appendix 4** (columns G1 to G2) reconciling differences between expenditure in the final payment application for the accounting year and expenditure in the accounts.

- b) If after the submission of the accounts of accounting year N, the Member State detects further irregularities in expenditure included in previous accounts (including the accounts of the accounting year N), the financial corrections may be implemented via *withdrawal in a payment application of the subsequent accounting year(s)* in which the irregularity

²⁵ i.e. accounting year for which the accounts are to be submitted to the Commission.

²⁶ If the amount was still included in the final payment application for that accounting year in accordance with Article 98(6)(a) CPR (they have not been already withdrawn in a payment application during the accounting year).

is detected, in line with Article 98(7) CPR. Such corrections are reported in **Appendix 2** to the accounts as amounts withdrawn in the given accounting year in relation to the accounting year in which the corresponding expenditure was declared to the Commission.

In addition to the above corrections of individual irregular expenditure, Member States are further obliged by Article 98(6)(c) CPR to deduct from the accounts other amounts (including extrapolated corrections) necessary to reduce the residual error rate (RER) of the expenditure declared in the accounts to 2 % or below. This will also ensure the fulfilment of the condition for admissibility of accounts as per Article 98(5) CPR and should be disclosed in col. G2 and explained in col. G4 of Appendix 4 to the accounts.

Moreover, Member States are also obliged to deduct from the accounts expenditure subject to ongoing assessment of its legality and regularity, in line with Article 98(6)(b) CPR; these amounts should also be disclosed in col. G1 and explained in col. G4 of Appendix 4 to the accounts.

All the above-mentioned **corrections, *except deductions of the amounts under ongoing assessment***, are considered to be **definitive**. Therefore, the deducted expenditure cannot be re-introduced in any subsequent payment application to the Commission (neither for current, nor for following accounting years), with the exception of specific cases when the legality and regularity of such expenditures is reassessed/changed (e.g. where a Union court or other bodies in the judicial system of the Member State would repeal or declare invalid the financial correction or in case of obvious errors).

In such exceptional cases, the managing authority, taking into account the impact on the legality and regularity of the expenditure at stake, may decide to re-introduce in the subsequent payment application the expenditure previously deducted and reported as financial correction by the Member State. In case it concerns the expenditure previously concluded ineligible by the AA, the later should assess the impact on the legality and regularity of the expenditure at stake and disclose this information in the annual control report.

Net financial correction under Article 104(1)(b) CPR

The provision of Article 104(1)(b) requires the Commission to make ‘net’ financial corrections by reducing the support from the Funds to programme (‘net’ financial corrections) where it concludes that expenditure contained in accepted accounts is irregular and was not detected and reported by the Member State.

The Commission concludes on an irregularity, in the sense of Article 104(1) CPR, when it informs the Member State of its conclusions in a letter in accordance with Article 104(2). The moment when the Commission “concludes” that expenditure contained in accepted accounts is irregular is different from the moment when the irregularity is detected.

A Member State cannot any longer “detect” an irregularity, in the sense of point (b) of Article 104(1) CPR, that has already been detected by the Commission or another EU institution/body, notably during an audit or an investigation by ECA, OLAF or EPPO, provided the Member State was made aware of the detection.

In case the Member State detects and reports an irregularity, but the Commission does not agree with the rate of correction applied by the Member State, any subsequent increase in the financial correction rate for the irregularity will not be net as the condition that the Member State has failed to detect and report the irregularity is not fulfilled in such cases.

Extrapolated financial corrections shall be net if the irregular expenditure is contained in accepted accounts and the irregularities have not been detected and reported by the Member State.

Recovery of irregular expenditure at Member State level for Interreg programmes

For Interreg programmes, the MA must ensure that any amount unduly paid as a result of an irregularity is recovered from the lead or sole partner in accordance with Article 52(1) of Regulation (EU) 2021/1059 of the European Parliament and of the Council. However, Article 52(2) of that Regulation provides for a possibility of the Member States not to recover from the project partners an amount that does not exceed EUR 250, not including interest, in contribution from any of the Interreg funds to an operation in an accounting year. This is in order to avoid cumbersome recovery procedures between the countries for smaller amounts. Such amounts do not have to be corrected towards the EU budget.

2. SUBMISSION AND EXAMINATION OF ACCOUNTS

2.1. Submission of accounts

Member States should submit to the Commission by 15 February (exceptionally 1 March), starting 2023 until and including 2031, the accounts for each accounting year for which payment applications have been submitted.

Consequently, in case no payment applications were submitted to the Commission during the accounting year, the accounts are not expected to be submitted for that accounting year.

Consistency checks between documents

In line with the principle of the separation of duties, the legal framework assigns the responsibility for preparing different elements of the assurance package to different authorities (accounts by the MA/BAF, management declaration by the MA and audit opinion and annual control report by the AA). The link between all these documents calls for coordination arrangements between the programme authorities at national and regional level (where relevant) so that consistency checks are performed ahead of the submission. National procedures should be established to ensure this coordination. Therefore, it is recommended that arrangements are made within the Member States to allow one of the authorities (at national or regional level) to perform all required consistency checks paying special attention to the consistency of data set out in various assurance package documents.

Internal coordination is particularly important for Interreg programmes and should be established in these programmes via written agreements.

In this context, it is recommended that the national authorities set, from the beginning of the period, internal deadlines for the transmission of the final report for the audit of operations to the MA and of the draft accounts to the AA. The AA should have sufficient time for its review to enable it to issue a soundly based audit opinion by 15 February of year N+1.

Practical arrangements with regard to a request for a deadline extension

The deadline of 15 February may exceptionally be extended by the Commission to 1 March according to Article 98(2) CPR, upon communication by the Member State concerned. The request should be sent in reasonable time before 15 February to the Commission (via SFC2021) in the form of a letter setting out the exceptional circumstances justifying the request for extension.

Consequences in case of non-submission of the accounts or one of the appendices

Late submission of the accounts may be considered as evidence suggesting serious deficiency. Moreover, in case the assurance package, which is due, has not been submitted, payment applications are not admissible (Article 91(2) CPR).

Accounts non-admissible

The accounts containing expenditure with a RER above 2% as calculated by the AA are not admissible²⁷, in line with Article 98(5) CPR. In such cases (when the RER is above 2%), an error message will be displayed in interface which will prevent the Member State from submitting the assurance package via SFC2021. The examination of the accounts by the Commission starts only once the admissible accounts are submitted.

Where the Commission recalculates the RER above 2% for the submitted accounts, this does not impact the admissibility of the accounts and the issues will be treated by the Commission in the context of its assessment of legality and regularity of expenditure in the accounts.

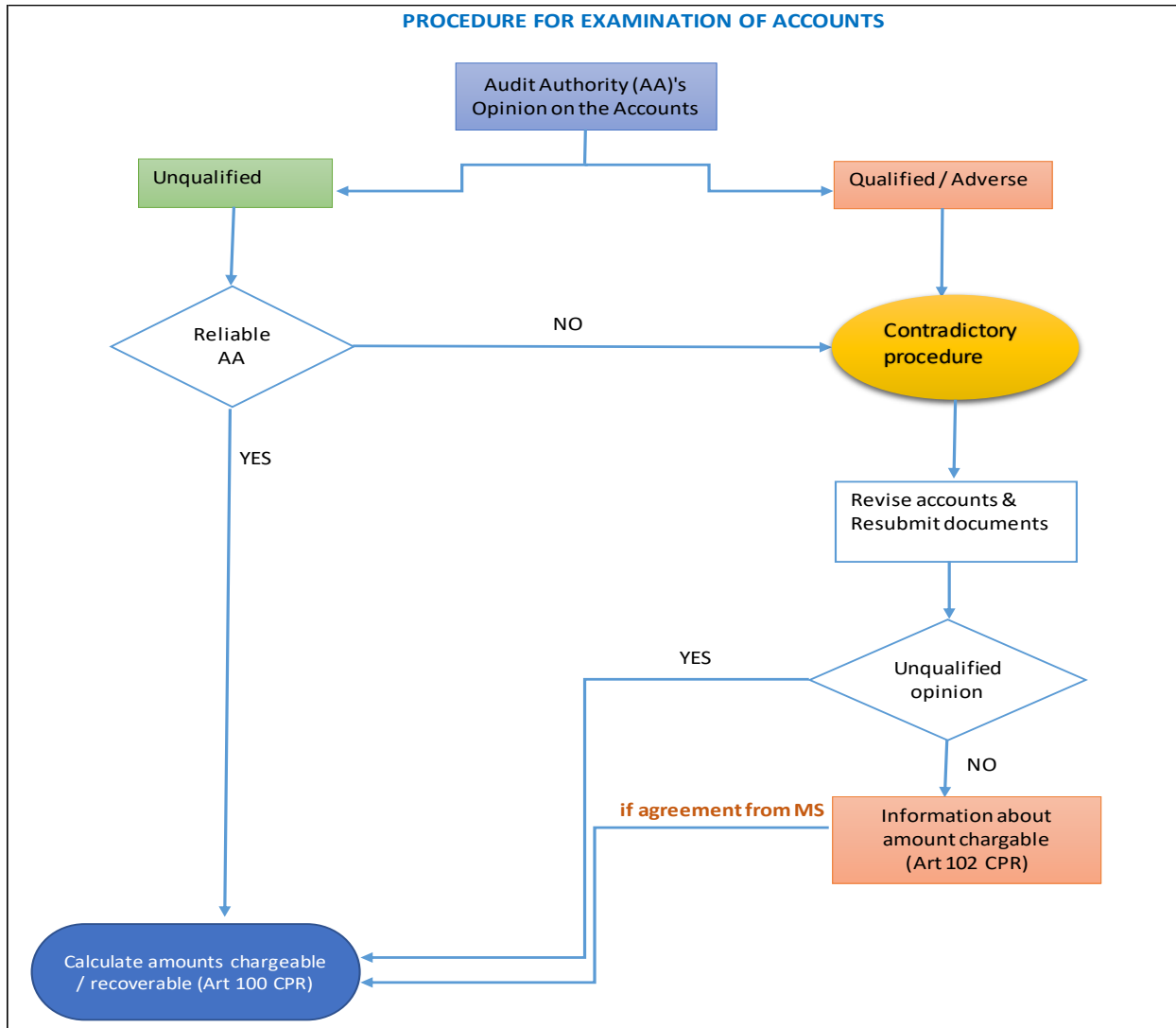
2.2. Examination of the accounts

By 31 May of the year following the end of the accounting year, the Commission shall, in accordance with Articles 99 and 101 CPR, apply the procedures for the examination of the accounts.

The scope of examination of accounts by the Commission is laid down in Article 99 CPR: completeness, accuracy and veracity of the accounts. The examination of accounts is decoupled from the examination of legality and regularity of expenditure.

The process for the examination of the accounts according to Articles 99 to 102 of the CPR is summarised below:

²⁷ For Interreg Programmes participating in the common sample, the TER/RER is not calculated at Programme level (no individual TER/RER), therefore all accounts will be admitted.



Calculation of the balance (Articles 100 and 101 CPR)

When the AA issues an unqualified audit opinion regarding the completeness, accuracy and veracity of the accounts, and when that opinion is considered reliable by the Commission services, the Commission will calculate the amounts chargeable to the Funds (the balance) in accordance with Article 100 CPR and make the respective payments or recoveries before 1 July. According to Article 101(2) CPR, the payment or recovery constitute the acceptance of the accounts by the Commission²⁸.

Contradictory procedure for the examination of accounts (Article 102 CPR)

In case the AA issued a qualified or adverse audit opinion due to reasons linked to the

²⁸ There is no Commission decision adopted accepting the accounts.

completeness, accuracy and veracity of the accounts or the Commission has evidence putting into question the reliability of an unqualified audit opinion on accounts issued by the AA, the contradictory procedure referred to in Article 102 CPR is launched:

- The Commission will request the Member State to revise the accounts and to resubmit the documents referred to in Article 98(1) within one month (Article 102(1) CPR).
- When the Member State revises the accounts and resubmits the documents referred to in Article 98(1) within the deadline specified in Article 102(1) CPR²⁹, the following scenarios are possible:
 - ✓ if the audit opinion is unqualified and reliable, Article 100 applies, and the Commission will pay the amount due or proceed to a recovery within 2 months (balance);
 - ✓ if the audit opinion is unqualified but unreliable or if the audit opinion remains qualified due to reasons linked to the completeness, accuracy and veracity of the accounts, the Commission will inform the Member State about the amount chargeable to the Fund for the accounting year (Article 102(2) CPR).
- During the contradictory process, the Member State may agree or not with the amount chargeable to the Fund for the accounting year:
 - ✓ where the Member State agrees with the amount chargeable to the Fund within one month of the transmission by the Commission of its request, the Commission will pay the balance within two months or proceed with the recovery according to Article 100 CPR;
 - ✓ where following the above contradictory procedure, there is still no agreement between the Commission and the Member State, the Commission will establish, based on the available information, the amount chargeable to the Funds and inform the Member State (via a letter). Such an act does not constitute a financial correction and does not reduce support from the Funds to the programme (Article 102(4) CPR).

When the MA/BAF does not revise the accounts and does not resubmit the documents referred to in Article 98(1) within the deadline specified in Article 102(1) CPR, the Commission will inform the Member State about the amount chargeable to the Fund for the accounting year (Article 102(2) CPR) and will follow the procedure mentioned above.

²⁹ The revised accounts re-submitted by the MA/BAF should be identified by a unique version number to keep an audit trail of the versions submitted to the Commission.

3. AUDIT OF ACCOUNTS

In accordance with Article 77(3)(a) CPR and Annex XIX to the CPR, the AA must provide an annual audit opinion including, among others, an opinion on whether the accounts give a true and fair view, and a statement as to whether the audit work puts in doubt the assertions made in the management declaration on the proper presentation of the accounts, their completeness and accuracy.

The audit of accounts (referred to in Article 77(1) and 77(3)(a)(ii) CPR) should be carried out by the AA in order to provide reasonable assurance on the completeness, accuracy and veracity of the amounts reported in the accounts. This audit work shall be carried out in line with the audit strategy according to Article 78 CPR.

The approach and methodology for the audits of accounts should consider the **results of existing audit work** for the current accounting year:

- **system audits** carried out on the MA, BAF, particularly on the controls related to the accounts, as explained in the section 3.1 below;
- **audits of operations**, particularly in relation to audit trail and accuracy of the corresponding expenditure and financial corrections entered in the accounts to check the reliability of the accounting systems, as explained in the section 3.2 below.

In addition, the AA may also consider the **results of its audit work on the previous accounts** (including those under the 2014-2020 programming period), provided that these results are still relevant (i.e. the part of the management and control system related to the accounts, in particular KR9 and KR10, has not changed). In such cases, the AA, using its professional judgement and considering relevant risks, may decide to limit the scope of the audit of the current accounts, including testing carried out in relation to the data in the appendices of the accounts. However, this should not apply in case of newly identified authorities in charge of the accounting function or accounting functions newly entrusted to the existing managing authorities referred to in section 3.1 below as well as new elements of the accounts indicated in section 3.3 below, until sufficient audit work on these aspects is carried out and reasonable assurance obtained.

The above approach for limited scope of the audit of accounts should be clearly described and justified in the AA's audit strategy and reflected in the information disclosed in section 6 of the annual control report.

Moreover, once it has received the (draft) accounts from the MA/BAF and depending on the

level of assurance obtained from the system audits and audits of operations³⁰, the AA should carry out final additional verifications on the (draft) accounts as explained in the section 3.3 below.

The AA should also check that the draft accounts have been prepared in accordance with the templates set out in Annex XXIV CPR. In this context, the AA needs to check that there is a correct and accurate disclosure (in the relevant Appendices) of the financial corrections resulting from the AA's audits according to Article 103 CPR, which are being used by the AA for the calculation of the RER.

In addition, for the appropriate reflection of financial corrections in the accounts, the following audits and controls should be considered when their conclusions are available at the date of the signature of the audit opinion:

- System audits;
- Audits of operations;
- Audits performed by the Commission;
- Audits carried out by the European Court of Auditors and its follow-up performed by the Commission;
- Checks performed by other programme authorities (administrative verifications, on-the-spot verifications); and
- Other audit and control results to which the AAs have access³¹.

AA is expected to audit the effective implementation of financial corrections and report accordingly in the ACR.

The AA should put in place effective procedures to monitor the implementation of the recommendations and corrective measures resulting from the audits of accounts.

In accordance with Article 101 CPR, the Commission will base its examination of the accounts on the opinion provided by the AA who, therefore, will provide in the corresponding chapter of the ACR detailed information of the audit work carried out and results obtained from their audits of accounts.

³⁰ If tested sufficiently during system audits and audits of operations, then the AA can use the results from these audits without performing any or performing only limited additional verifications on the draft accounts.

³¹ Such as controls performed by national supreme audit authorities, financial/tax authorities etc.

3.1. Use of results of system audits for the audit of accounts

Where a newly identified authority is in charge of the accounting function, a system audit of KR10³² should be carried out by the AA within 21 months of the decision approving the programme or the amendment of the programme identifying such an authority, in line with Article 78(1) CPR (point 3.2 of Annex XXII CPR). The same applies also for a newly identified managing authority and its key requirements, where in particular KR9³³ is relevant for the audit of accounts.

After the programme approval, point 3.2 of Annex XXII CPR requires a system audit when the MA/BAF has been appointed in the last 12 months. In case the accounting function was newly entrusted to the existing MA, a system audit of this function (i.e. KR10) should be considered by the AA.

In case of ‘existing authority’ (i.e. authority already responsible for the KR13³⁴ under the 2014-2020 regulatory framework), the results of any relevant previous system audit can be taken into account by the AA for its audit of accounts, provided that the AA considers conclusions of such audits still valid.

If no relevant system audit has been carried out (including cases where the AA decided not to carry out any system audits for the programmes under the enhanced proportional arrangements, in line with Article 83 CPR), the AA should carry out the required verifications during its final additional verifications of the draft accounts.

The system audits for the audits of accounts shall include verification of the reliability of the accounting system of the MA/BAF and, on a sample basis, of the accuracy of expenditure and amounts withdrawn, as recorded in the accounting system. Through the system audit of the MA/BAF, the AA obtains reasonable assurance that:

- Payment applications are drawn up in accordance with the template set out in Annex XXIII CPR and include the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations which fulfil, or contribute to the fulfilment of, enabling conditions, the amount of technical assistance where applicable, and the total amount of public contribution made or to be made, in line with Articles 91 and 92 CPR.
- Procedures are in place to ensure the correct application of the conversion rate indicated in Article 76(1)(c) CPR.

³² Appropriate procedures for drawing up and submission of payment applications and of accounts and confirming completeness, accuracy and veracity of the accounts. See also the Methodological Note for the assessment of the Management and Control Systems in the Member States.

³³ Appropriate procedures for confirming that the expenditure entered into the accounts is legal and regular. See also the Methodological Note for the assessment of the Management and Control Systems in the Member States.

³⁴ Equivalent to KR8 + KR9 for AMIF/ISF 2014-2020.

- Appropriate procedures are in place for ensuring the completeness, accuracy, and veracity of the accounts in accordance with Article 98 CPR and with the template set out in Annex XXIV CPR.
- Electronic records are kept of all the elements of the accounts, including payment applications. The system audit should also cover; the reliability of the IT system implemented by the MA/BAF that is used to run its accounting system, in line with internationally accepted IT standards³⁵.
- The procedures in place ensure that expenditure entered in the accounts corresponds to expenditure declared in the payment applications for the accounting year, after deduction of all relevant amounts as a result of management verifications and audits, notably
 - a) irregular expenditure which has been subject to financial corrections in accordance with Article 103, including expenditure withdrawn during the given accounting year as set out in Article 98(3)(b) CPR and expenditure deducted directly from the accounts in accordance with Article 98(6)(a);
 - b) expenditure undergoing assessment of its legality and regularity at the time of drawing the accounts in accordance with Article 98(6)(b);
 - c) other amounts as necessary to reduce the residual error rate of the expenditure to 2% in accordance with Article 98(6)(c); and
 - d) corrections of clerical errors, if applicable.
- Procedures are in place to ensure that irregular amounts detected after the submission of accounts are corrected for the accounting year in which the irregularity is detected (Article 98(7) CPR).
- Appropriate procedures and internal deadlines are adopted to ensure the timely submission of the accounts to the Commission as part of ‘the assurance package’ in line with Article 98(1)(a) CPR, by 15 February (or, in cases where the deadline has been extended in accordance with Article 98(2) CPR, by 1 March) of the following accounting year.

³⁵ In addition to the Control Objectives for Information and related Technology framework (COBIT), internationally accepted standards for information security include but are not limited to the ISO/IEC standard 27001 ("Information technology - Security techniques - Information security management systems – Requirements") and the ISO/IEC 27002 ("Information technology - Security techniques - Code of practice for information security controls"), last re-issued in 2013. The AA may also take into consideration any related national standards.

- Systematic and timely data exchange information system exists between the MA/IBs and the MA/BAF, notably to ensure relevant information is received, on a regular and timely basis, for the preparation of the payment applications and of accounts to the Commission.
- The draft accounts are submitted by the MA/BAF in due time to the AA for the purpose of issuing the audit opinion.

The AA may cover with a single system audit of the MA/BAF the accounts of the different funds and operational programmes under its responsibility.

If the system audit carried out at the level of the MA/BAF reveals serious deficiencies in the MCS (in particular for the essential requirement relating to the accounting function, i.e. KR10), the AA should envisage a qualified audit opinion for the accounting year in question. Such qualified opinion would cover not only the functioning of the MCS but could also lead to a qualification on the audit opinion on its part covering the accounts.

3.2. Use of results of audit of operations for the audit of accounts

Audits of operations can already start during the accounting year. This also means that the sample of operations to be audited can be split into two (or more) parts in the course of the accounting year (sampling periods), in accordance with the progress of declaration of expenditure in payment applications, as explained in the Commission Delegated Regulation 2023/67³⁶. The audit effort can thus be spread more evenly throughout the year. This will allow the AA to complete its work in time to provide the annual audit opinion in accordance with Article 63(7) FR and Article 77(3)(a) and Annex XIX CPR, including the audit opinion on the accounts.

For the sample of operations selected and for the purpose of drawing assurance for its audit opinion on the accounts³⁷, the AA should check during the audit of operations:

- the audit trail for the audited expenditure (if the expenditure declared by the beneficiary to MA/IB minus any expenditure possibly deducted following management verifications or any other controls corresponds to the amount of expenditure entered in the payment application to the Commission);
- if the payment to the beneficiary corresponds to the expenditure of the project, and was paid in full and within the regulatory deadline of 80 days (Article 74(1)(b) CPR);
- if any irregularities previously detected in the audited expenditure have been correctly treated and the corresponding corrections entered in the accounting system.

³⁶ Supplementing Regulation (EU) 2021/1060 of the European Parliament and of the Council by establishing standardised off-the-shelf sampling methodologies and modalities to cover one or more programming periods.

³⁷ This is without prejudice to the assurance required on the legality and regularity of expenditure.

In addition, at the stage of checking the draft accounts, the AA should gain assurance in relation to the operations audited that:

- the total amount of eligible expenditure declared in the accounts for the audited sampling unit in accordance with Article 98(3)(a) CPR reconciles with the expenditure for that sampling unit (and the corresponding public expenditure) included in payment applications submitted to the Commission; and/or
- all irregular amounts detected in the operations sampled have been excluded from the accounts³⁸.

If applicable for the operations in the audited sample, the AA should check that the amount of programme contributions (an advance under 92(2)(a) CPR) paid to financial instruments and advances in the context of State aid paid to beneficiaries are supported by the information available at the level of the MA and of the BAF. The objective of these checks will be also to confirm the eligibility of the advances declared and reliability of the audit trail of the accounting system.

It is advisable that the AA develops a dedicated section in the audit of operations checklists or a separate checklist to confirm the effective functioning of the system regarding elements of the accounts.

3.3. Final additional checks on the draft accounts

Once it has received the (draft) accounts from the MA/BAF and depending on the level of assurance obtained from the system audits and audits of operations, the AA is expected to carry out final additional verifications on these (draft) accounts.

The purpose of these verifications should be to confirm that all the elements required by Article 98 CPR are correctly included in the accounts and supported by underlying accounting records maintained by the relevant authorities (or bodies) and beneficiaries.

When conducting the audit of accounts, the AA should consider assessing both KR9 “Appropriate procedures for confirming that the expenditure entered into the accounts is legal and regular” for MA and KR10 “Appropriate procedures for drawing up and submission of payment applications and of accounts and confirming completeness, accuracy and veracity of the accounts” for the MA/BAF.

During its system audits on KR10 and/or during the final additional checks of the draft accounts, it is expected that the AA carries out control tests and checks to confirm the following (see also Annex 1 - Mapping the reconciliations between payment applications and accounts):

³⁸ I.e. financial corrections implemented for irregularities disclosed in final audit reports.

- ***Appendix 1 - Amounts entered into the accounting system of the accounting function³⁹:***

- ✓ The amount of expenditure in Appendix 1 (column A) is the same amount of expenditure declared in the final payment application for that accounting year (columns B and C of Annex XXIII CPR) minus possible deductions applied directly in the accounts;
- ✓ The expenditure declared in the final payment application for the accounting year in question corresponds to the expenditure declared in the payment applications for that year, plus eventual new expenditure and less the amounts withdrawn during that accounting year (as to be shown in Appendix 2);
- ✓ On the basis of the information available at the MA's level for a sample of transactions check whether the expenditure declared in payment applications to the Commission for the accounting year corresponds to expenditure incurred by beneficiaries and paid in implementing operations; this test can be combined with the audit work carried out through the audits of operations.
- ✓ The expenditure included in Appendix 1 has to be linked to specific objectives for which enabling conditions are fulfilled or linked to operations that contribute to the fulfilment of enabling conditions and this link is supported by the information available in particular at MA level.

As the AA has already performed verifications on the expenditure included in Appendix 1 when checking the correctness of the amounts included in the payment applications submitted during the accounting year (sampling through the audit of operations and/or/or system audits), the additional verifications at the stage of accounts can be limited to the verification of any relevant adjustments/corrections made directly in the accounts.

- ✓ With regard to the amount for technical assistance in accordance with Article 91(3)(b) CPR reported in column (B)⁴⁰ of Appendix 1, as this amount is calculated automatically by SFC2021, no verification is required.

- ***Appendix 2 – Amounts withdrawn during the accounting year – Article 98(3)(b) and Article 98(7) CPR:***

- ✓ Appendix 2 contains the amounts withdrawn and there is an adequate split by

³⁹ The remaining audit work with regard to other elements of amounts reported in columns (A) and (C) of Appendix 1 remains the same as for 2014 -2020 programming period.

⁴⁰ Dedicated row for AMIF, BMVI and ISF.

accounting year and such withdrawals are based on relevant supporting documents;

- ✓ The amounts corrected as a result of audits (shown at the end of Appendix 2) correspond to the irregularities resulting from all audits carried out by the AA (such as audits of operations, system audits, horizontal audits etc.), the Commission and the European Court of Auditors (ECA) audits (amounts not included in Appendix 4);
- ✓ The amounts withdrawn during the accounting year correspond to the amounts entered in the accounting systems and are based on reasoned decisions taken by the responsible MA or BAF. In this respect, the AAs are recommended to check on a sample basis:
 - The consistency of the amounts withdrawn from the payment applications with the accounting records and supporting documents;
 - the consistency of the amounts withdrawn during the accounting year and entered into the accounting systems regarding irregularities triggered by Commission and ECA audits or OLAF investigations.
- ***Appendix 3 - Amounts of programme contributions paid to financial instruments:***
 - ✓ Appendix 3 reconciles with the amount of programme contributions paid to financial instruments including any deductions if relevant; this consistency test should be done on the basis of the data provided by the relevant MA and IB (or available in their IT systems). The amounts reported in Appendix 3 correspond to the amount of programme contributions (an advance) paid to financial instruments including any deductions if relevant.
 - ✓ The amount of programme contributions paid to financial instruments (an advance payment) are supported by the information available in particular at MA level and comply with the maximum amount/ceiling of 30% of the total amount of programme contributions committed to the financial instrument under the relevant funding agreement.
 - ✓ Corresponding cleared amounts are not included in the amount reported in Appendix 1. This verification can be done on a sample basis.
- ***Appendix 4 – Reconciliation of expenditure - Article 98(3)(d):***
 - ✓ The amounts and explanations provided in columns G1 to G4 for each priority are consistent with the information disclosed in the ACR, where relevant, and the MA/BAF's records in regard to financial corrections applied after the submission of final payment application for that accounting year and reflected in the

accounts as a follow-up to the results of the system audits and audit on operations and management verifications and other controls finalised before submission of the accounts;

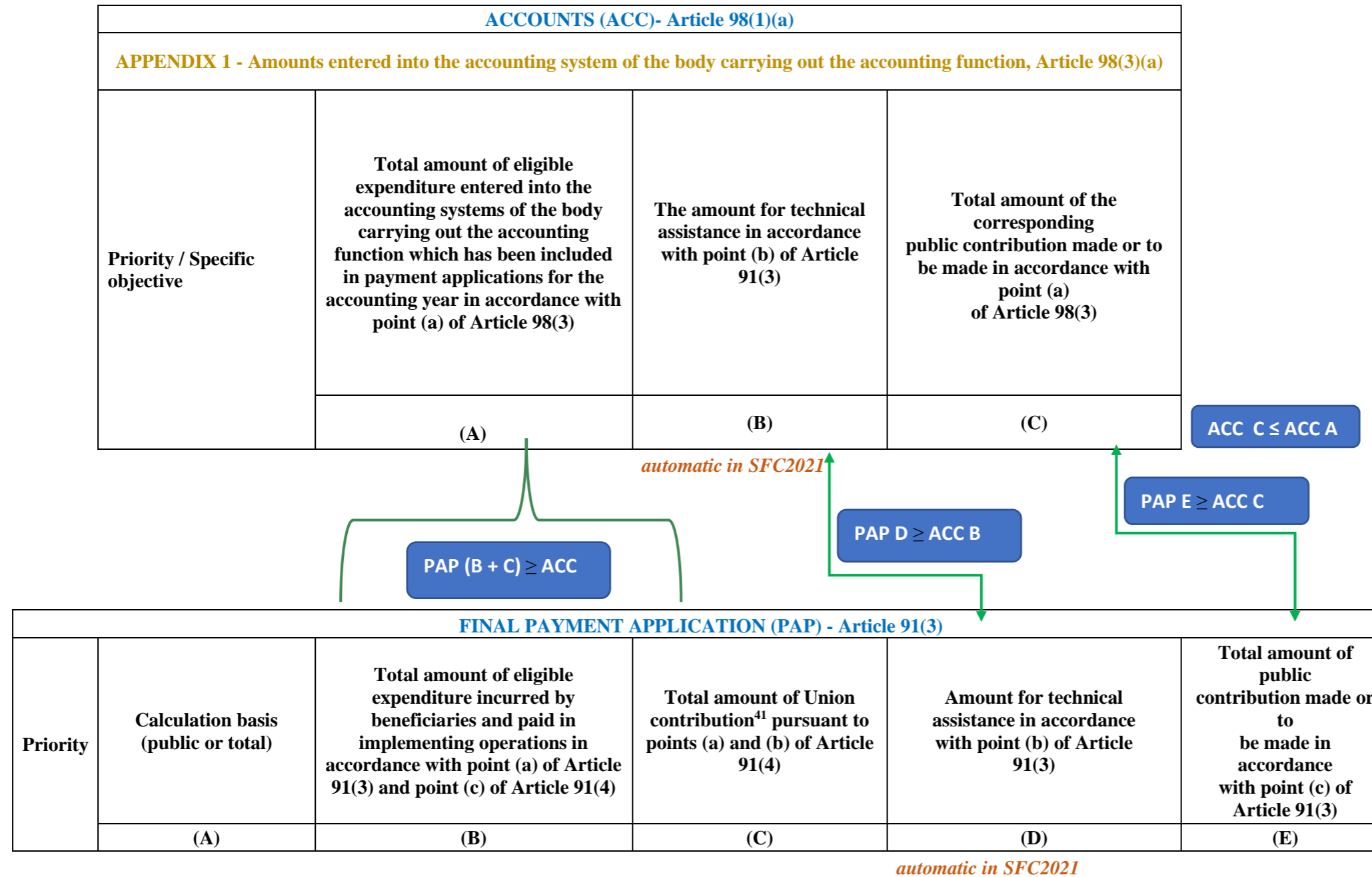
- ✓ Relevant expenditure has been excluded from the accounts in accordance with Article 98(6)(b) CPR, where applicable, due to an ongoing assessment of its legality and regularity;
 - ✓ The required corrections as a result of management verifications, audits or any other controls were correctly reflected in the accounts for the accounting year concerned (this can be verified on a sample basis).
- ***Appendices 5 and 6 - Information on expenditure linked to specific objectives for which enabling conditions are not fulfilled:***
 - ✓ The amounts reported in Appendices 5 and 6 have been correctly allocated to the different priorities according to the fulfilment or not of the related enabling conditions.
 - ✓ The amounts in columns (B) and (C) are supported by the relevant information in the information system of the managing authority, based on expenditure declared by the beneficiaries as incurred and paid, and are not included in the amount reported in Appendix 1. This verification can be done on a sample basis.
 - ***Appendix 7 – Advances paid in the context of State aid under Article 91(5) CPR:***
 - ✓ The amounts of programme contributions (advance payments) in the context of State aid paid to beneficiaries are supported by the information available in particular at the MA level.
 - ✓ The existence of an audit trail by comparing Appendix 7 against the advances paid in the context of State aid (cumulative from the start of the programme) as recorded in the MA's and IB's IT system (and, where feasible, other national IT system registering data on State aid) including any deductions if relevant.

There is no formal deadline set in the CPR for the MA/BAF to provide the (draft) accounts to the AA. However, it is recommended that the national authorities set, from the beginning of the programming period, internal deadlines for the transmission of the draft accounts to the AA. The AA should have sufficient time for its review to enable it to issue a soundly based audit opinion by 15 February of year N+1.

3.4. Audit opinion on the accounts

Mapping the reconciliations between payment applications and accounts. For details see the Methodological Note on the ACR, Audit Opinion and treatment of errors.

ANNEX 1 – Mapping the reconciliations between the final payment application for an accounting year and accounts



⁴¹ This amount corresponds to the total eligible expenditure when the Union contribution is pursuant to points (a) and (b) of Article 91(4) (SCO under Article 94 and FLNC under Article 95 CPR).

