

# A description of the management and control system in 2021-2027

25 January 2023

[Interact seminar](#)

## Questions and Answers<sup>1</sup>

### Questions about the description of the management and control system (MCS)

#### 1. What happens if the description of the MCS is not ready by 30 June?

Article 69(11) CPR sets the deadline of 30 June 2023 for the description of the MCS to be in place. While the CPR does not attach a specific sanction to the non-respect of this deadline, failure to respect this (or other deadlines in the CPR) can be indicative of a dysfunctional management and control system.

The Commission will monitor the respect of this deadline (and others) closely.

#### 2. What if the description of the MCS is ready by 30 June, but not all chapters/ elements? For the description of the MCS purposes it is crucial to have a system in place, but not necessarily all templates/ procedures, is this correct?

If not all chapters/ are ready, the DMCS is not ready. See Question 3.

#### 3. How to submit the description of the MCS? Via SFC2021? If yes, under which category? In word/ pdf format? Do we get any confirmation/approval from the EC?

The CPR does not require the submission of the description of the MCS to the Commission and there is no approval process either.

#### 4. When is Commission going to issue the new reflection paper on risk-based management verifications, as we need to annex the programme methodology to the description of the MCS?

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<sup>1</sup> Disclaimer: This document has been prepared by Interact with colleagues from DG Regional and Urban Policy. This document expresses the views of Interact and does not commit the European Commission. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law. It is a tool aiming to help Interreg programmes with their descriptions of the management and control system for the 2021-2027 programming period.

The purpose of the reflection note on the risk-based management verifications (current version – as of 29 March 2022) is not to provide detailed guidance and support tools (including, for example, formats for a risk assessment strategy, templates, risk assessment grids, etc.) for performing risk-based management verifications. The document provides general elements on certain important aspects of the application of Article 74(2) CPR regarding management verifications.

The MA is responsible for developing and implementing its methodology and for considering the relevant aspects of the Interreg programmes and the specific context in which these are implemented. The reflection note is expected to be finalised in spring 2023 (the finalised version is expected to be presented at the next CPR Expert Group meeting in April).

Interact, together with several Interreg programmes, developed a HIT methodology for risk-based management verifications, along with a guide on how to develop the methodology. You will find both documents (structured in one document) on [Interact's website](#).

#### **5. Should the methodology for the risk-based management verifications be annexed to the description of the MCS?**

There is no need to include the methodology itself in Chapter 2 of the description of the MCS, which is dedicated to the MA, but it should be referenced and indicated where it can be found (e.g., in the procedures guide, MA's internal book, etc.).

#### **6. Should the information on control procedures applied by national control systems be included in the description of the MCS?**

This does not necessarily need to be part of the description of the MCS (it is not required by the template set out in Annex XVI CPR). However, even where programmes make use of the derogation in Article 46(3) of the Interreg Regulation to use national controllers, the MA still has the responsibility (under Article 46(5) of the Interreg Regulation) to “satisfy itself that the expenditure of beneficiaries participating in an operation has been verified by an identified controller”.

Therefore, how management verifications are organised in all Member States/ partner countries should be described briefly in the description of the MCS, as should the MA's process for satisfying itself that verifications have taken place. The detailed descriptions of the national control systems should be described in the procedures guide.

#### **7. Would it be acceptable that the key principles for the risk-based methodology are described in the description of the MCS (but the methodology is not yet formally approved by 30 June)?**

See Question 5.

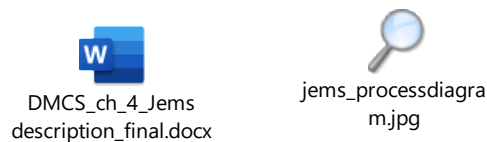
#### **8. How to modify the description of the MCS in the future? To whom should we submit modifications?**

The document does not need to be approved by the Commission. There are also no legal requirements for the description to be approved by the Monitoring Committee – although it would be a good practice from a partnership and programme management point of view to at least inform the Monitoring Committee.

The process for modifying a programme's description of the MCS will depend on the programme's internal organisation and practices.

**9. As far as the descriptions of Jems (Chapter 4) could Interact provide a text for common use? Will the Interact document on Jems be updated with further developments when new modules/ features are added?**

The text for chapter 4 of the description of the MCS, along with the process diagram is provided by Jems colleagues. Please note that it does not cover the whole of chapter 4, it covers only Jems-related elements and the programmes are expected to add their own content too. Information given in this chapter is written for the current latest Jems version 6 (November 2022). An update upon delivery of new features is envisaged.



**10. How to deal with the not yet released full Control feature in Jems? This relates to the description of procedures as an annex to the description of the MCS.**

Jems is being developed in an agile style. It is functional now up to the partner reporting module. The Jems team is working on the management verifications module right now. This module should be available before June 2023. For other features, like, for example, treatment of irregularities or withdrawals, it is not yet decided how it will be implemented in the system. It will be defined in due time where for these features the Jems team will state the basics, what is required by the regulations, and cornerstones, and then details will be added once the development will move to the specific module. Jems is a living system and the description of the MCS is a living document too and can be updated once we release new features/ modules.

**11. Is the description of the MCS, Chapter 4, about the electronic management/ monitoring system being ready/ in place or about the traceability of management (for the AA also)?**

It is about the system being in place.

**12. Where can we find the methodological note on the assessment of the management and control system?**

Below you will find the draft methodological note. Please note, the currently available version is still a draft (as of June 2022). The document is expected to be finalised in spring 2023 (the finalised version is expected to be presented at the next CPR Expert Group meeting in April).



**13. For programmes with IPA partners, it seems that the draft Financing Agreement envisages a validation of the description of the MCS by the MC. Is it the case?**

No.

**14. In IPA, in the draft of the Financing Agreement a reference is made to an "Agreement on Management Financial and Control System". Is it a separate doc or is it a reference to the description of the MCS?**

The Financing Agreement to be signed with partner countries refers to the commitment of the participating countries to agree on a management and control system for the Programme. The document 'Description on Management, Financial, and Control Systems' should be in line with Articles 69 to 72, 74 to 76, and 78 to 82 CPR and Articles 22, 30(2), and 46 to 49 of the Interreg Regulation. The participating countries should ensure its functioning in accordance with sound financial management and the key requirements listed in Annex XI CPR.

**15. We will internalise the accounting function so it will be performed by the MA. Do we need to fill in these procedures in Chapter 2 or in Chapter 3? In which chapter should we add the accounting function information if they are in the same organisation as the MA, just another team?**

If the accounting function will be performed by the MA, the description of the tasks and organisation of the function must be provided in chapter 2. Chapter 3 is not required in such cases.

**16. When the accounting function (AF) is performed by a separate programme body, is the MA responsible for the accounting function, and should it implement any controls on it?**

According to Article 71(1) CPR, where a Member State entrusts the accounting function to a body other than the managing authority in accordance with Article 72(2) CPR, the body concerned shall also be identified as a programme authority. The body performing the accounting function will bear full responsibility for it. The MA does not have the legal requirements to establish controls on the accounting function carried out by a separate programme authority.

**17. For MAs already in place in the 2014-2020 programming period and for which no changes occurred; will the system audit be also compulsory?**

The only case where a system audit is compulsory is where a programme has a new managing authority or a new authority in charge of the accounting function (Article 78(1) CPR). In such cases, the audit authority is required to carry out a system audit within 21 months of the date of

adoption of the programme by the Commission. This is to test the functioning of the new authorities at an early stage of the programme's functioning.

For all other cases, a system audit is one of the tools that the audit authority can use as part of its audit strategy as required and as it judges appropriate in order to provide assurance to the Commission regarding the effective functioning of the management and control systems.

Please bear in mind that the flexibility provided by Article 83 CPR<sup>2</sup> regarding systems audits is not applicable to Interreg.

**18. Should the system audit by the AA be performed before 30 June 2023 when we are supposed to have the description of the MCS ready, or can it be done after?**

See question 17.

**19. The procedures guide: are there any requirements/ guidelines regarding the content?**

There are no legal requirements as to how the internal procedures guide should be organised. It is up to the programme authorities.

**20. Will the annexed documents to the description of the MCS, like the internal manual/ procedures book, become legally binding to the programme?**

Where the procedures are linked to key requirements, during the system audit the AA will check whether the procedures described in the MCS were followed. In practical terms, where the procedures on the ground differ from the way they are described in the manual, the internal manual should be adapted to reflect the real procedures.

There is no need to annex the internal manual/ procedures book etc., to the description of the MCS.

**21. How is the issue of conflict of interest approached in the description of the MCS in 2021-2027? What has been changed/ improved in the area of preventing fraud and conflict of interest?**

The topic of conflict of interest is addressed in the template of the description of the MCS. In the general part, section 1.3.4 refers to the principle of separation of functions between and within the programme authorities' description and how it is respected. Chapters dedicated to programme authorities, like the MA and body carrying out the accounting function, also have sections where specific functions of authorities need to be described in detail (sections 2.1.2 and 3.1.2).

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<sup>2</sup> By way of derogation from Article 77(1) regarding system audits and Article 79(1) and (3) regarding audits of operations, the audit authority may limit its audit activity to audits of operations.

**22. Concerning point 2.1.5 on risk management, what is requested and what are the tools available to the programme?**

The information on risk management was already required in 2014-2020. The programme has to assess potential risks and detail them in the description of the MCS. As per the definition of risk management, programmes are expected to identify potential risks and analyse what could happen if a hazard occurs/ risk materialises, as well as to detail mitigating measures.

**23. The mapping of risks should change regularly depending on fraud, and irregularities faced by MAs, so any update of the mapping would suppose an update of the description of the MCS?**

The mapping of risks should be a supporting separate document which can be referred to in point 2.1.5 of the DMCS stating that it will be subject to regular and case-based review.

Therefore, updating the risk document does not automatically mean a revision of the DCMS.

**24. Should a description of the Audit Authority and GoA (its organisational structure, functions, tasks) be part of the DMCS?**

The template of the description of the MCS as set out in Annex XVI CPR does not envisage a separate chapter for the AA/ GoA. Thus, the AA and GoA should only be mentioned in section 1.3 “System structure (general information and flowchart showing the organisational relationship between the authorities/bodies involved in the management and control system)”.

**25. Section 2.1.7: Could you specify what is expected from a financial point of view if "not sufficient to refer only to financial resources from TA"?**

In point 2.1.7 of Annex XVI, the MA should describe how it will be able to carry out the management functions as described in Article 72 CPR. The resources referred to are to ensure the capacity of the MA for its functions: therefore they entail all types of resources (e.g., human, financial, etc.), including any planned outsourcing of tasks.

Similarly, point 3.1.4 of Annex XVI (“Indication of planned resources to be allocated in relation to the different accounting tasks”) refers to the capacity of the body that carries out the accounting functions in accordance with Article 76 CPR. Therefore, also under this point all resources, whether human, financial, or other, should be included.

**26. What is the section in which we can write that we do not recover the 250 euro?**

The EUR 250 is the topic of recoveries, which is a task of the MA. Thus, it could be part of the text on recoveries, which is part of Chapter 2 (section 2.1.2), the MA. It could also be described in the programme’s procedures document.

**27. Is internal control of the MA (from the Financial Regulation) compulsory and should it appear in the description of the MCS?**

The Financial Regulation (FR) identifies the following elements related to an effective internal control: (a) segregation of tasks; (b) an appropriate risk management and control strategy that

includes control at recipient level; (c) avoidance of conflict of interests; (d) adequate audit trails and data integrity in data systems; (e) procedures for monitoring effectiveness and efficiency; (f) procedures for follow-up of identified internal control weaknesses and exceptions; (g) periodic assessment of the sound functioning of the internal control system.

Aspects of internal control as specifically indicated in Annex XVI should be included in the description of the MCS. It could be that some of the elements of internal control mentioned in the FR are only detailed in specific procedures and not detailed in the description of the MCS.

Other questions

### **28. Is the wording 'first level control' still to be used in 2021-2027, or just 'control', as per Article 46 of Regulation 2021/1059?**

It is important that programmes use regulatory language when referring to management and control issues to avoid ambiguity or confusion. There is no such thing as “first level control” in an Interreg context. There are “management verifications”. These are carried out by managing authorities or, where the derogation in Article 46(3) of the Interreg Regulation is used, by “controllers”.

### **29. Can a programme continue with 100% management verifications, taking into account the implementation of SCOs in many of the cost categories?**

Interreg has historically low error rates, therefore it is to be expected that risks in relation to management verifications for 2021-2027 will also be relatively low. The risk-based approach applies both to administrative and on-the-spot checks.

Interreg programmes in particular, considering their historically low error rates, should reflect adequately when drafting ex-ante the risk-based management verifications approach. SCOs are considered less error-prone than actual costs (in ECA reports). That being said, where a certain risk is identified in a particular area or for a particular item (or items), a higher level of management verifications should be carried out – that is the whole intent of the risk-based approach.

While a 100% verification of the expenditure remains theoretically possible, this could only be carried out in duly justified cases where the level of risk to the budget of the Union was so severe that it would impose such an approach. A programme’s inability to function with a risk-based management verification below 100 % could suggest that the programme is facing implementation difficulties. For additional background, please refer to recital 62 CPR<sup>3</sup>.

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<sup>3</sup> To ensure an appropriate balance between the effective and efficient implementation of the Funds and the related administrative costs and burdens, the frequency, scope and coverage of management verifications should be based on a risk assessment that takes into account factors such as the number, type, size and content of operations implemented, the beneficiaries as well as the level of the risk identified by previous management verifications and audits. Management verifications should be proportionate to the risks resulting from that risk assessment and audits should be proportionate to the level of risk to the budget of the Union.

### **30. Is Interact addressing some topics for accounting body function?**

The accounting function topic is embedded in the work of the former Certifying Authorities network (renamed to CA – the accounting function network). In 2021, a working group consisting of representatives of the CA was established with the objective to collect feedback from the CA on their experience with the accounts module in the eMS (a monitoring system developed by Interact for the 2014-2020 programming period), and to shape and discuss how the accounting function should be organised in Jems (a new monitoring system for the 2021-2027 programming period). One of the results of the working group meetings was producing of scenarios on how to treat irregularities (which is described in [the roadmap for the assurance package](#)). The working group will be re-activated once the Jems development will start defining the accounting function module. Implementation of this module is planned for autumn 2023.

### **31. Is Interact addressing the topic of anti-fraud & related tools (Arachne, EDES)? It would be very useful to share a common approach across programmes.**

Yes, Interact is preparing an event with colleagues from DG REGIO and EPPO on anti-fraud measures in Interreg programmes, the coordination of tasks with OLAF and the use of the Arachne risk scoring tool. The event is foreseen for the second part of 2023, probably in July (the date should be announced on the Interact website). A part of the event would be dedicated to the discussion on the measures programmes plan to implement.

### **32. Was the MA internal manual also consulted with the AA? *[the specific question to the Espon programme where they use the internal manual of the MA to describe procedures in detail]***

The main internal manual document was already used in the 2014-2020 programming period, so the MA introduced changes in line with the requirements of the 2021-2027 period which were then consulted with the AA. The new part was also audited during the system audit.

### **33. Did you provide the detailed MA internal manual? What would happen in case of changes in your internal procedures (update of the description of the MCS)? *[the specific question to the Espon programme]***

In the Espon programme, the description of the MCS is approved by the MC. In case of changes in major things, the approval of the MC (or at least informing the MC) is needed. Furthermore, during the system audit every year and also with the audit of operations, there is one question in the checklist related to the description of the MCS and whether there have been any changes in the control system. In the past, this was part of the audit of operations. And the common practice was that the MA prepared a list of changes, and adaptations that the MA has implemented during the year, and the AA was provided with this list as input to kick-off the work on the audit of operations, as they need to have the most updated version to check whether all the procedures have been followed. The MA intends to follow the same process in the future.