



## METHODOLOGICAL NOTE<sup>1</sup>

### FOR THE ASSESSMENT OF MANAGEMENT AND CONTROL SYSTEMS IN THE MEMBER STATES

#### 1. Introduction

In accordance with Article 69(11) of the Common Provision Regulation (EU) 2021/1060<sup>2</sup> (CPR), each Member State shall have in place, at the latest by the time of submission of the final payment application for the first accounting year and no later than 30 June 2023, a description of the management and control system in accordance with the template set out in Annex XVI to the CPR. Any subsequent modifications have to be reflected as an update of the description of the management and control system.

Article 69(1) CPR requires Member States to ensure the functioning of the management and control system in accordance with the principle of sound financial management and the key requirements listed in Annex XI to the CPR. This note aims to propose a series of assessment criteria for each key requirement.

The objective of this note is to define a practical tool/methodology to help auditors assess the functioning of the management and control system set up by the Member States for the programmes supported by CPR Funds.

This note is in first instance a tool of the audit services of the Commission but can also be used by audit authorities (AAs) when assessing/supervising the work of other bodies in the management and control system or by managing authorities (MAs) as a self-assessment tool to ensure compliance of their own procedures against the Commission services' expectations.

In order for the auditors to obtain a reasonable assurance and to express an opinion on the functioning of the management and control system in accordance with Article 77(3)(a)(iii) of the CPR, system audits<sup>3</sup> shall be carried out based on an appropriate risk assessment and professional

<sup>1</sup> **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.

<sup>2</sup> Regulation (EU) 2021/1060 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

<sup>3</sup> In case of enhanced proportionate arrangements where the conditions set out in Article 84 CPR are fulfilled, the audit work may be limited according to Article 83(b) of the CPR.

judgement. Such system audits include control testing carried out for operations and transactions at the appropriate level (MA and its intermediate bodies - IBs, the Body carrying out the accounting function and the AA), in line with internationally accepted audit standards<sup>4</sup>. Audits of operations can also be used for such purpose, where appropriate. The methodology used for system audits is defined by the auditors in the audit strategy, in accordance with the provisions of Article 78(1) and Annex XXII CPR. Where a large number of IBs operate under the same programme, the IBs are sampled based on an appropriate risk assessment, having in mind elements like risk profile of operations under the IB, volume of funds, complexity and/or novelty of operations, modifications of the organisational structure, staff expertise, etc. In any event, in accordance with auditing standards, the auditor defines in its audit report the audit scope and whether its conclusion covers the system in its entirety or part of it.

The methodology used for determining the sample size for tests of controls used in system audits is expected to be in line with internationally accepted audit standards (INTOSAI for ISSAI or IAASB for ISA), as required by Article 77(2) of the CPR.

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

The auditors draw then their conclusions, for each step (i.e. first for each assessment criterion, then for each key requirement of the management and control system and for each authority, and finally for the overall conclusion on the management and control system), on the basis of the following categories (as set out in Table 2 of Annex XI to the CPR):

**Category 1. Works well. No or only minor improvement needed.**

There are ***no deficiencies***<sup>5</sup> or only minor deficiencies. These deficiencies have no, or minor impact on the effective functioning of the assessed key requirements / authorities / system.

**Category 2. Works. Some improvement needed.**

There is one or ***some (non-serious) deficiency(ies)***. These deficiencies have a moderate impact on the effective functioning of the assessed key requirements / authorities / system. Recommendations have been formulated for implementation by the audited body.

**Category 3. Works partially. Substantial improvement needed.**

There is one or ***more serious deficiency(ies)*** that expose the Funds to the risk of irregularities. The impact on the effective functioning of the assessed key requirements / authorities / system is significant. Recommendations have been formulated to substantially improve the system for implementation by the audited body.

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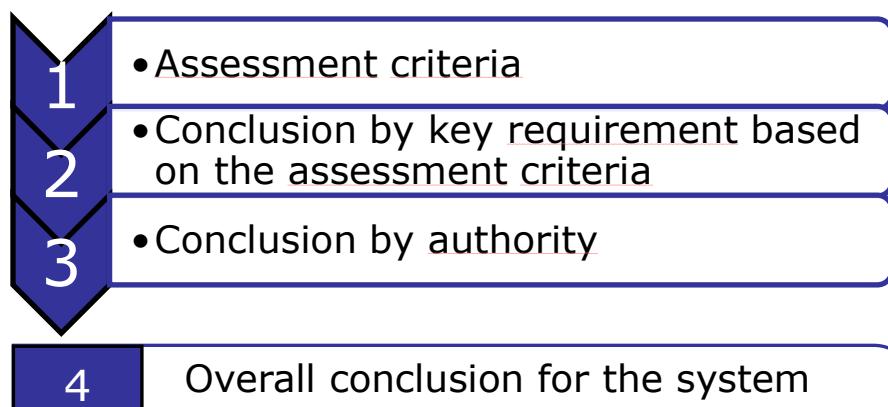
<sup>4</sup> For programmes supported by the AMIF, the BMVI and the ISF, the accounting function shall be carried out by the managing authority or under its responsibility.

<sup>5</sup> Article 2(32) CPR: A ‘serious deficiency’ means a deficiency in the effective functioning of the management and control system of a programme for which significant improvements in the management and control systems are required and where any of the key requirements 2, 4, 5, 9, 12, 13 and 15 referred to in Annex XI, or two or more of the other key requirements are assessed into categories 3 and 4 of that Annex.

#### Category 4. Essentially does not work.

There are *numerous serious* and/or wide-ranging *deficiencies* which expose the Funds to the risk of irregularities. The impact on the effective functioning of the assessed key requirements / authorities / system is significant – the assessed key requirements / authorities / system function poorly or do not function at all. Recommendations have been formulated to radically improve / reform the system by the audited body.

The assessment of the management and control system follows the schema presented below:



##### **1) Assessment Criteria**

The **first step** consists of **evaluating the assessment criteria** suggested in this note for each key requirement set in Annex XI of the CPR by determining which of the four above-mentioned categories corresponds best to each assessment criterion.

The evaluation of assessment criteria combines two dimensions, the design of controls and the effective functioning of the control system in place.

##### **2) Conclusion by key requirement based on the assessment criteria**

The **second step** consists of **drawing a conclusion by key requirement** of the management and control system considering the non-compliance with legal provisions identified during the evaluation of the assessment criteria under step 1. As a matter of principle, when evaluating the key requirements, the overall impact on the assurance level is a decisive factor. In this context, questions to be asked are:

- What is the impact of the non-respect or partial respect of a particular legal provision or key requirement on the identification of errors, irregularities and on the management and control system?
- Does non-compliance with a legal provision increase the likelihood of irregular expenditure not being prevented, detected and/or adequately corrected?
- Are there mitigating measures in place in relation to the key requirement under assessment? For example, the participation of the MS in enhanced cooperation on establishment of the

EPPO could be a mitigating measure for the assessment of key requirement 7 (Effective implementation of proportionate anti-fraud measures).

### **3) Conclusion by programme authority or IB**

The **third step** involves reaching a **conclusion by programme authority or IB**, based upon the results of the categorisation of each relevant key requirement under step 2.

We list below the key requirements of management and control system according to Table 1 in Annex XI of the CPR:

<b>Key requirements (KRs)</b>		<b>Bodies/ authorities concerned</b>
1	Appropriate separation of functions and written arrangements for reporting, supervising and monitoring of delegated tasks to an intermediate body	MA
2	Appropriate criteria and procedures for the selection of operation	MA
3	Appropriate information to beneficiaries on applicable conditions for support for the selected operations	MA
4	Appropriate management verifications, including appropriate procedures for checking fulfilment of conditions for financing not linked to costs and for simplified cost options	MA
5	Effective system to ensure that all documents necessary for the audit trail are held	MA
6	Reliable electronic system (including links with electronic data exchange systems with beneficiaries) for recording and storing data for monitoring, evaluation, financial management, verifications and audits, including appropriate processes to ensure the security, integrity and confidentiality of the data and the authentication of users	MA
7	Effective implementation of proportionate anti-fraud measures	MA
8	Appropriate procedures for drawing up the management declaration	MA
9	Appropriate procedures for confirming that the expenditure entered into the accounts is legal and regular	MA
10	Appropriate procedures for drawing up and submission of payment applications and of accounts and confirming completeness, accuracy and veracity of the accounts	MA / Body carrying out the accounting function
11	Appropriate separation of functions and functional independence between the audit authority (and any body carrying out audit work under the responsibility of the audit authority on which the audit authority relies and supervises, if applicable) and the other programme authorities and audit work carried out in accordance with internationally accepted audit standards	AA
12	Appropriate system audits	AA
13	Appropriate audits of operations	AA
14	Appropriate audits of accounts	AA

15	Appropriate procedures for providing a reliable audit opinion and for preparing the annual control report	AA
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It is not possible to envisage all combinations of assessments of key requirements by programme authority or IB that might arise. Nevertheless, the following principles can be applied:

1. Each of the key requirements has to be assessed independently from the others within the same authority. This means that a weakness in one of the key requirements in one authority cannot be compensated by another key requirement that is functioning well in the same authority. Compensating assessments of controls are considered only at the level of the overall assessment of the system (step 4).
2. Some key requirements are essential with regard to the legality and regularity of expenditure and the effective functioning of the management and control system in the relevant authority. Essential key requirements for determining serious deficiencies in the management and control system as defined in Article 2(32) of the CPR concern:
  - MA: key requirements 2, 4, 5 and 9.
  - AA: key requirements 12, 13 and 15.
3. A category 1 or 2 classification of the essential key requirements referred to in point 2 above would have a positive influence on the overall conclusion.
4. If one of the essential key requirements referred to in point 2 above or two or more of the other key requirements<sup>6</sup> for an authority are classified in categories 3 or 4, this authority cannot be assessed overall in a better category than category 3. In other words, deficiency in an essential key requirement cannot be counterbalanced by a better classification of the other key requirements for the authority in question.
5. If some of the functions have been delegated to IBs, the same criteria used in the case of MA will be applied in order to reach a conclusion by IB, and, on that basis, for the MA overall.
6. Synergies between the assessment of key requirements 2, 4 and 5 are to be considered when it comes to the obligation to ensure an appropriate audit trail (sufficient and relevant documentation and evidence), as this is a cross-cutting issue. For example, when KR 2 or KR 4 are in category 3 due to issues related to audit trail, the assessment of KR 5 should also be aligned.

#### ***4) Overall conclusion***

In case of weaknesses identified in the key requirements of the management and control system, the auditor will consider if there are any subsequent mitigating factors or compensating controls that may exist in one authority which effectively reduce the risk in the overall MCS before **providing an overall conclusion on the management and control system (step 4)**. It is important to underline that before taking into account any mitigating factors or compensating controls,

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<sup>6</sup> MA: key requirements 1, 3, 6, 7 and 8; MA / Body implementing the accounting function: key requirement 10; AA: key requirements 11 and 14.

evidence of the proper functioning of these controls/factors is obtained.

For example, even if the MA is assessed in category 2 (cf. step 3 above) the overall assessment of the management and control system can still be in category 1 (cf. step 4) provided that subsequent mitigating factors or compensating controls are in place.

An example of a mitigating factor, to be considered before issuing the audit opinion, could be an action plan implemented or under implementation which has effectively improved the management and control system (for avoidance of future similar irregularities) and corrected the main irregularities not previously detected (financial corrections for previously declared expenditure).

The overall conclusion by management and control system also provides a basis to the AA for determining the sampling parameters for audits of operations. Furthermore, the results of the audits of operations serve to confirm or not the assessment of the management and control system based on results of system audits and feedback into the overall assessment by audited body (the later to be reported in the annual control reports, part of the assurance packages to be submitted to the Commission in line with Article 98 of the CPR).

## **2. Key requirements and assessment criteria**

The key requirements, structured by programme authority, which have been designed for and are necessary for ensuring the legality and regularity of expenditure included in programmes supported by ERDF, ESF+, Cohesion Fund, JTF, EMFAF, AMIF, BMVI, ISF under Annex XI of the CPR. This note identifies the assessment criteria linked to the key requirements, taking into account the provisions of the applicable legal framework for the 2021-2027 period.

Legal ref.	No	Assessment criteria
<b>KEY REQUIREMENTS IN RELATION TO THE MANAGING AUTHORITY</b>		
<p><b>Key requirement 1: Appropriate separation of functions and adequate written arrangements for reporting, supervising and monitoring of delegated tasks to an intermediate body</b></p> <p>In particular Articles 29(5), 33(4)-(5), 69(1), (11), 71(1), (3)-(5), 72, 74(3) and Annex XVI of the CPR; Articles 45-47 and 54 of the Interreg Regulation.</p>		
Articles 29(5), 33(4), 69(1), 69(11), 71(1), 71(3), 71(5) and 72(2), Annex XVI/§1-2 CPR Articles 45 and 46 Interreg Regulation	1.1	<p>A clear description of the structure of the management and control system<sup>7</sup> in order to ensure clear allocation and separation of functions and tasks<sup>8</sup>:</p> <ul style="list-style-type: none"> <li>• <u>Functions and tasks carried out directly by the MA</u>: the status (national, regional or local public body or private body), the organisation chart and flowchart showing the relationship between the MA and any other bodies or divisions (internal or external) that carry out functions and tasks laid down in Articles 72 to 75 of the CPR. In case the MS entrusts the accounting function to the MA, there is a description of organisation of work (workflows, processes, internal divisions). There is also an indication of the planned resources to be allocated to the different functions.</li> <li>• <u>Tasks delegated to IBs by the MA</u>: identification of the form of the delegation (e.g. written agreement) including specification per IB of each task delegated by the MA.</li> <li>• Where a Member State entrusts the accounting function to a <u>body other than the MA</u><sup>9</sup> in accordance with Article 72(2) of the CPR, the body concerned is identified as a programme authority. Its status (national, regional or local, public or private body), a description of its tasks, functions, organisation (workflows, processes, internal divisions, indication of the planned resources to be allocated to the accounting tasks) is provided.</li> </ul>

<sup>7</sup> For Interreg programmes the specific provisions of Articles 46 and 54 of Regulation (EU) 2021/1059 will be taken into account in the description of the system, namely the Joint Secretariat set up, the contact points identified for each third country, partner country and OCT, which have the role of assisting the managing authority (and the monitoring committee) as well as the derogation to point (a) of Article 74(1) of Regulation (EU) 2021/1060 (related to the task of the managing authority to carry out management verifications).

<sup>8</sup> Each Member State has in place, at the latest by the time of submission of the final payment application for the first accounting year and no later than 30 June 2023, a description of the management and control system in accordance with the template set out in Annex XVI. It keeps that description updated to reflect any subsequent modifications.

<sup>9</sup> Not applicable for AMIF, BMVI and ISF, as the accounting function is carried out by the MA or under its responsibility, in line with Article 72(3) CPR.

Legal ref.	No	Assessment criteria
Articles 71(1), 72(1) and 72(3) <sup>10</sup> , Annex XVI/§1-3 CPR Articles 45-47 Interreg Regulation	1.2	<p>Procedures (including manuals) are in place in the MA/IBs, notably in relation to who carries out</p> <ul style="list-style-type: none"> <li>• the <b>selection of operations</b> (Article 73 of the CPR);</li> <li>• <b>management verifications</b>: administrative verifications in respect of payment claims made by beneficiaries and on-the-spot verifications of operations (Article 74 of the CPR);</li> <li>• programme management including a framework for an appropriate <b>risk management</b> (e.g. in particular before the start of implementation and in the event of major modifications to the activities and changes of the management and control system);</li> <li>• <b>corrections</b> of amounts unduly paid (Article 74 of the CPR);</li> <li>• <b>payments</b> to beneficiaries in full and no later than 80 days from the date of submission of the payment claim by the beneficiary (Article 74(1)(b) of the CPR);</li> <li>• <b>support to</b> the work of the <b>Monitoring Committee</b> (Article 75 of the CPR); and</li> <li>• <b>the accounting function</b> (if applicable).</li> </ul> <p>When the MA does not carry out the accounting function, the Body carrying out this accounting function has procedures related to its functions and tasks, including supervision.</p>
Article 72(1)(d), Annex XVI/§2 CPR Articles 45-47 Interreg Regulation	1.3	<p>Adequate procedures and arrangements are in place to effectively monitor and <b>supervise the tasks delegated</b> to the IB(s) based on adequate reporting mechanisms (review of the IB's methodology, regular review of results reported by the IB, including where possible reperformance on a sample basis of the work carried out by the IB).</p>
Articles 33(5), 71(4) and 74(3), Annex XVI/§1.3.4 CPR Articles 46-47 and 54 Interreg Regulation	1.4	<p>Compliance with the requirement of <b>separation of functions</b> within the organisation of the MA, as well as between the MA and other programme authorities. The separation of functions within the MA/IBs should take into account the size and the complexity of the programme concerned (the accounting function may be carried out as part of other duties of the managing authority's staff). Nevertheless, general principles applicable to the management of EU budget imply that authorisation of payments is segregated from other tasks. Where the managing authority is also a beneficiary under the programme, arrangements are taken to ensure an appropriate separation of functions between management verifications and the activities of the MA as beneficiary.</p>

<sup>10</sup> For programmes supported by the AMIF, the BMVI and the ISF, the accounting function is carried out by the MA or under its responsibility.

Legal ref.	No	Assessment criteria
<b>Key requirement 2: Appropriate criteria and procedures for the selection of operations<sup>11</sup></b>		
In particular Articles 9, 29(3)-(4), 33(3), 49(3), 59(7), 63-64, 66-68, 69(6), (8), 73(1)-(2), Annex XIII and Annex XVI/§4 CPR; Articles 22, 28, 36-44 and 56 Interreg Regulation.		
Articles 9 and 73(1) CPR Article 22 Interreg Regulation	2.1	<p>The MA establishes<sup>12</sup>, for approval by the monitoring committee, appropriate selection methodology and criteria that:</p> <ul style="list-style-type: none"> <li>ensure the operations to be selected are prioritised with a view to maximising the contribution of Union funding towards the achievement of the objectives of the programme;</li> <li>are non-discriminatory and transparent;</li> <li>ensure accessibility to persons with disabilities, ensure gender equality, and take account of the Charter of Fundamental Rights of the European Union, the principle of sustainable development and of the Union policy on the environment in accordance with Article 11 and Article 191(1) TFEU.</li> </ul>
Article 63, 64, 67 and 68 CPR Articles 37-44 and 56 Interreg Regulation	2.2	Well-defined and unequivocal eligibility rules for the programme are laid down at appropriate national/regional level <sup>13</sup> .
Article 69(8), Annex XVI/§4 CPR	2.3	All applications received are registered on receipt and recorded in the <b>electronic data exchange system</b> of the MA. Evidence of receipt is delivered to each applicant and electronic records are kept of the approval status of each application.
Articles 33(3), 59(7), 63(9), 66 and 73(1)-(2)	2.4	All applications are assessed in accordance with the applicable criteria. The evaluation process ensures that the selected operations have not received support from other Funds or programmes for the same budgeted expenditure and hence avoid double funding.

<sup>11</sup> For AMIF, BMVI and ISF, specificities concerning components of Thematic Facility introduced into the programme are to be considered.

<sup>12</sup> The Monitoring Committee or Steering Committee in case of Interreg programmes.

<sup>13</sup> As per the provisions of Article 37 in Regulation (EU) 2021/1059, the participating countries can only establish additional rules on eligibility of expenditure for the Interreg programme on categories of expenditure not covered by those provisions.

Legal ref.	No	Assessment criteria
CPR Article 22 Interreg Regulation		<p>The evaluation is applied consistently and in a non-discriminatory way. The criteria and scoring rules used are in accordance with those approved by the monitoring committee and stated in the call.</p> <p>In assessing the applications, the MA/IBs ensures that the evaluators possess the required expertise and independence, including an obligation to disclose the absence of conflict of interest. MA checks on a sample basis the absence of conflict of interest.</p> <p>The MA<sup>14</sup> specifically examines whether the <b>conditions a) to j) listed in Article 73(2)<sup>15</sup></b> are met.</p>
Articles 29(3)-(4), 33(3) and 49(3) CPR Articles 22, 28 and 36 Interreg Regulation	2.5	<p>Decisions on the acceptance or rejection of applications are taken by a duly authorised person in the MA/IB (or by MC decision, for Interreg Programmes), results are notified in writing in an agreement or decision (or comparable document) to the applicant and the reasons for acceptance or rejection are clearly set out. The appeal procedure and related decisions are published.</p> <p>The MA publishes a list of operations selected for support in line with the requirements of Article 49(3) CPR, which is updated at least every 4 months.</p>
Article 69(6), Annex XIII CPR	2.6	Appropriate documentation exists relating to the overall selection procedure and approval of operations. The documentation allows for verification of the application of the selection criteria by the MA <sup>16</sup> .
<b>Key requirement 3: Appropriate information to beneficiaries on applicable conditions for support for the selected operations</b>		
In particular Articles 49(1)-(2), 65 and 73(3) CPR; Articles 22(6), 26 and 36(1)-(2), (5) Interreg Regulation.		
Articles 49(1)-(2) and 73(3) CPR Articles 22(6) and 26 Interreg	3.1	Appropriate systems and procedures are in place ensuring that beneficiaries have access to necessary and relevant information and receive appropriate guidance on applicable conditions for support (i.e., leaflets, booklets, seminars, workshops, websites, helpdesk etc.).

<sup>14</sup> In case of Interreg programmes, the task is attributed to the Monitoring Committee or where applicable to Steering Committee (Article 22(4) Interreg).

<sup>15</sup> A [Commission Notice — Technical guidance on the climate proofing of infrastructure in the period 2021-2027 - Publications Office of the EU \(europa.eu\)](#) is available for a better understanding of the new requirements related to climate proofing. For Interreg projects, only an assessment of expected impacts of climate change is required to be carried out for investments in infrastructure with an expected lifespan of at least five years (Article 22(4)(j) of the Interreg Regulation).

<sup>16</sup> The assessment of this criterion is to be correlated with the assessment of KR 5.

Legal ref.	No	Assessment criteria
Regulation		<p>Calls for proposals are published<sup>17</sup>. To reach all potential beneficiaries, the MA has put in place, within 6 months of the decision approving the programme, a website where information on programmes under its responsibility is available, covering the programme's objectives, activities, available funding opportunities and achievements.</p> <p>The MA publishes on this website data concerning the calls for proposals with a clear description of the selection procedure used and the rights and obligations of the beneficiaries and including at least:</p> <ul style="list-style-type: none"> <li>a. geographical area covered by the call for proposal;</li> <li>b. policy objective or specific objective concerned;</li> <li>c. type of eligible applicants;</li> <li>d. total amount of support for the call;</li> <li>e. start and end date of the call.</li> </ul> <p>The eligibility rules for the programme are communicated to beneficiaries (e.g., via trainings guidelines).</p>
Articles 65 and 73(3) CPR Articles 22(6), 26 and 36(5) Interreg Regulation	3.2	<p>The rights and obligations of beneficiaries are effectively communicated to them (e.g. in the document setting out the conditions for support), in particular reference to the applicable eligibility rules for the programme, applicable State aid rules, the specific conditions for support and payment for each operation, conditions concerning the products or services to be delivered under the operation, the financing plan and, where applicable, the method applied for determining the costs of the operation, the time-limit for execution of the operation, and the requirements for using a separate accounting system or appropriate accounting codes<sup>18</sup>. The information and publicity obligations as well as the durability requirements are clearly explained and communicated to beneficiaries. In addition, beneficiaries and potential beneficiaries are communicated their rights to file complaints (Article 69(7) CPR).</p>

<sup>17</sup> Not applicable in case of direct allocation of EU funds to certain national, regional or local operations as well as for funding under Article 29(1) and (3) CPR and Article 25(2) and Article 57 of the Regulation (EU) 2021/1059. For all these operations the MA is nevertheless expected to ensure compliance with the selection criteria. <sup>18</sup> The obligation for the beneficiary to maintain separate accounting records or use appropriate accounting codes is valid only for transactions relating to the operation where costs are to be reimbursed pursuant to Article 53(1)(a) CPR.

<sup>18</sup> The obligation for the beneficiary to maintain separate accounting records or use appropriate accounting codes is valid only for transactions relating to the operation where costs are to be reimbursed pursuant to Article 53(1)(a) CPR.

Legal ref.	No	Assessment criteria
<b>Key requirement 4: Appropriate management verifications<sup>19</sup>, including appropriate procedures for checking fulfilment of conditions for financing not linked to costs and for simplified cost options</b>		
In particular Articles 69(6), 74(1)(a), (2), 81(1)-(2), 83, 94(3), 95(3) and Annex XIII CPR; Article 46 Interreg Regulation.		
Article 74(1)(a) CPR Article 46 Interreg Regulation	<b>4.1</b>	<p><b>Appropriate procedures</b> are in place and are adequately used ensuring that the frequency and scope of management verifications (both administrative and on-the-spot) carried out by the MA<sup>20</sup> or its IB(s) are risk based and proportionate to the risks identified ex-ante and in writing<sup>21</sup>, taking into account factors such as the number, type, size and content of operations implemented, type of beneficiary, value of items as well as the results of previous management verifications and audits.</p> <p>Appropriate procedures to ensure regular update of risks based, for example, on results from audits and previous management verifications, are in place.</p>
Articles 74(2) and 81(1)-(2) CPR Article 46 Interreg Regulation	<b>4.2</b>	<p>The MA or its IB(s) carries out <b>risk-based management verifications</b>, before submission of the accounts to the Commission, which include:</p> <ul style="list-style-type: none"> <li>a. <b>Administrative verifications</b> in respect of payment claims made by beneficiaries, which cover an examination of the claim itself and of the relevant supporting documentation considering the risks identified. The range and type of supporting documentation to be requested from beneficiaries for verification, is based on a risk assessment; and</li> <li>b. <b>On-the-spot verifications of operations<sup>22</sup></b>, considering the risks identified by the MA.</li> </ul> <p>The on-the-spot verifications are undertaken when the project is well under way, both in terms of</p>

<sup>19</sup> For programmes applying enhanced proportionate control arrangements in accordance with Article 83(a) CPR the assessment criteria under this key requirement are to be assessed in view of the applicable national procedures to carry out management verifications. The AMIF, the BMVI and the ISF Regulations establish specific rules on management verifications that are applicable where an international organization is a beneficiary (cf. Article 74(3) CPR).

<sup>20</sup> In case of Interreg programmes, management verifications may be carried by identified controllers. However, the ex-ante analysis is reviewed by MA also in case of Interreg programmes considering the specificity and goal of cooperation for these programmes.

<sup>21</sup> See Reflection paper on risk-based management verifications.

<sup>22</sup> For financial instruments, the on-the-spot management verifications are carried out on a sample proportionate to the risks only at the level of bodies implementing the financial instrument and, in the context of guarantee funds, at the level of bodies delivering the underlying loans (except for EIB Group). The managing authority may rely on verifications carried out by external bodies and not carry out on-the-spot management verifications, provided that it has sufficient evidence of the competence of these external bodies.

Legal ref.	No	Assessment criteria
		physical and financial progress (e.g. for training measures).
Articles 74(1)(a), 94(3) and 95(3) CPR Article 46 Interreg Regulation	4.3	<p><b>Written procedures and checklists</b> are used for the management verifications and conclusions are documented. Such checklists include, as a minimum, verifications that:</p> <ul style="list-style-type: none"> <li>1) co-financed products and services have been delivered (the reality of the project, including effective delivery of product or service);</li> <li>2) the operation complies with applicable law, the programme and the conditions for support of the operation, notably concerning: <ul style="list-style-type: none"> <li>a. the accuracy and completeness of the payment claim from beneficiaries;</li> <li>b. eligible period;</li> <li>c. compliance with the approved financing rate (where applicable);</li> <li>d. compliance with the relevant eligibility rules and EU and national rules on public procurement, State aid, publicity, equal opportunity requirements and non-discrimination, transparency and access to persons with disabilities, gender equality, the Charter of Fundamental Rights of the European Union, the principle of sustainable development and of the Union policy on the environment in accordance with Article 11 and Article 191(1) of the TFEU;</li> <li>e. the compliance with the terms and the conditions of the document setting out the conditions for support;</li> <li>f. the expenditure declared and the existence of the audit trail;</li> <li>g. absence of double financing;</li> </ul> </li> <li>3) For costs to be reimbursed by the MA pursuant to Article 53(1)(a) of the CPR<sup>23</sup>: <ul style="list-style-type: none"> <li>h. the costs claimed by the beneficiaries have been incurred and paid;</li> <li>i. a separate accounting system or an appropriate accounting code for all transactions relating to an</li> </ul> </li> </ul>

<sup>23</sup> Grants provided by the MS to beneficiaries based on reimbursement of eligible costs actually incurred by beneficiaries.

Legal ref.	No	Assessment criteria
		<p>operation is established, allowing in particular for verification of (1) the correct allocation of expenditure only partly relating to the co-financed operation and (2) certain types of expenditure which are only considered eligible within certain limits or in proportion to other costs;</p> <ul style="list-style-type: none"> <li>4) For costs reimbursed by the MA pursuant to Article 53(1)(b), (c) and (d) of the CPR<sup>24</sup>: <ul style="list-style-type: none"> <li>j. the conditions for reimbursement of costs through simplified cost options (i.e. unit costs, lump sums, or flat-rate financing) have been met;</li> </ul> </li> <li>5) For costs reimbursed by the MA pursuant to Article 53(1)(f) of the CPR<sup>25</sup>: <ul style="list-style-type: none"> <li>k. the conditions for reimbursement of costs have been met; and</li> <li>l. the results have been achieved.</li> </ul> </li> <li>6) For expenditure reimbursed by the Commission pursuant to Article 94(3)<sup>26</sup>of the CPR<sup>27</sup>: <ul style="list-style-type: none"> <li>m. the conditions for reimbursement of expenditure have been met;</li> </ul> </li> <li>7) For expenditure reimbursed by the Commission pursuant to Article 95(3)<sup>28</sup> of the CPR<sup>29</sup>: <ul style="list-style-type: none"> <li>n. the conditions for reimbursement of expenditure have been met; or</li> <li>o. the results have been achieved.</li> </ul> </li> </ul>

<sup>24</sup> Grants provided by the MS to beneficiaries based on reimbursement of SCOs (unit costs, lump sums and flat-rate financing).

<sup>25</sup> Grants provided by the MS to beneficiaries based on reimbursement of FNLC (financing not linked to costs).

<sup>26</sup> Union contribution based on SCOs (unit costs, lump sums and flat-rate financing).

<sup>27</sup> The MA (IBs) shall exclusively aim at verifying that condition, in line with Article 94 CPR.

<sup>28</sup> Union contribution based on FNLC (financing not linked to costs), provided such grants are covered by a reimbursement of the Union contribution pursuant to Article 95 CPR.<sup>29</sup> The MA (IBs) shall exclusively aim at verifying those conditions, in line with Article 95 CPR.

<sup>29</sup> The MA (IBs) shall exclusively aim at verifying those conditions, in line with Article 95 CPR.

Legal ref.	No	Assessment criteria
Article 83 CPR	<b>4.4</b>	<p>Only for programmes applying enhanced proportionate arrangements:</p> <ul style="list-style-type: none"> <li>a) If the managing authority is applying national procedures to carry out management verifications, these procedures are complied with.</li> <li>b) If the managing authority relies on verifications carried out by external bodies, it has sufficient evidence of the competence of these bodies.</li> </ul>
Article 69(6), Annex XIII CPR	<b>4.5</b>	Evidence is kept relating to the management verifications, evidencing the administrative and on-the-spot checks carried out by the MA/IBs and the follow-up of the findings detected <sup>30</sup> .
<b>Key requirement 5: Effective system to ensure that all documents necessary for the audit trail are held</b>		
In particular Articles 69(6), 82, 95(1)(i) and Annex XIII CPR.		
Articles 69(6), 82 and 95(1)(i), Annex XIII CPR	<b>5.1</b>	<p>Appropriate systems and procedures are in place to ensure that all documents required for the audit trail as set out in Annex XIII CPR) are kept at the appropriate level and in accordance with the requirements of Article 82 of the CPR on availability of documents. All underlying documentation for the data requested in Annex XVII of the CPR and all documents and records requested in Annex XIII CPR are available.</p> <p><i>[See also the assessment criteria in 2.6 and 4.5 above]</i></p>
<b>Key requirement 6: Reliable electronic system (including links with electronic data exchange systems with beneficiaries) for recording and storing data for monitoring, evaluation, financial management, verifications and audits, including appropriate processes to ensure the security, integrity and confidentiality of the data and the authentication of users</b>		
In particular Articles 42, 69(2), (4), (8)-(9), 72(1)(e), 82, Annexes XIV, XV, XVI/§4 and XVII CPR; Article 32 Interreg Regulation.		
Articles 69(2), (4), (9) and 72(1)(e), Annexes XV,	<b>6.1</b>	<p>An effective and reliable electronic system is in place, covering the elements listed in Annex XVI/Part 4 of the CPR and ensuring an appropriate electronic data exchange system between the MS and the Commission:</p> <p>a. <b>recording and storing data</b> on <u>each operation</u> necessary for monitoring, evaluation, financial</p>

<sup>30</sup> The assessment of this criterion is to be correlated with the assessment of KR 5.

Legal ref.	No	Assessment criteria
XVI/§4 and XVII CPR		<p>management, verifications and audits, in accordance with Annex XVII, including data on <u>beneficial owners</u> of the beneficiaries, contractors and final recipients for financial instruments but also data relating to indicators and milestones on the progress of the programme in achieving its objectives;</p> <ul style="list-style-type: none"> <li>b. <b>recording and storing accounting codes / records</b> for operations such as to support drawing up payment applications and the accounts;</li> <li>c. maintaining <b>accounting records / keeping separate accounting codes</b> for expenditure declared to the Commission (including public contribution paid to beneficiaries);</li> <li>d. keeping <b>records</b> of all <b>withdrawals</b> and <b>deductions</b> (including financial corrections according to Article 103 CPR).</li> </ul>
Article 69(8), Annex XIV CPR	<b>6.2</b>	An electronic data exchange system between beneficiaries and all the programme authorities is in place and functions in accordance with Article 69(8) and Annex XIV CPR.
Article 69(4) CPR Article 32 Interreg Regulation	<b>6.3</b>	Appropriate procedures are in place to ensure the reliability of the recording and storing data on each operation (cf. 6.1 above). Such electronic system allows for the aggregation of the data where this is necessary for the purposes of reporting, evaluation, audits, as well as for payment applications and accounts, submitted to the Commission.
Articles 42, 72(1)(e) and 82, Annexes XIV and XVII CPR Article 32 Interreg Regulation	<b>6.4</b>	<p>Adequate procedures are in place to ensure:</p> <ul style="list-style-type: none"> <li>a. the security and maintenance of this electronic system;</li> <li>b. data integrity and data confidentiality;</li> <li>c. the authentication of the sender;</li> <li>d. storage of documents and data;</li> <li>e. the protection of individuals with regard to the collection and processing of personal data under the Directive (EU) 2015/849.</li> </ul>

Legal ref.	No	Assessment criteria
<b>Key requirement 7: Effective implementation of proportionate anti-fraud measures<sup>31</sup></b>		
In particular Articles 69(2), (12), 74(1)(c)-(d) and Annex XII CPR.		
Articles 69(2), 69(12) and 74(1)(c)-(d), Annex XII CPR	7.1	The MA/IBs carries out a timely fraud risk assessment, including of the risks related to conflict of interest (impact and likelihood of the risks relevant to the implementation of the programmes). The MA/IBs regularly updates the fraud risk assessment (e.g. on an annual basis, or every second year, depending on risk levels). As the MA has the obligation to have in place effective and proportionate anti-fraud measures, the results of the fraud risk assessment are to be approved by the management of the MA/IBs.
Articles 69(2) and 74(1)(c) CPR	7.2	<p>The anti-fraud measures and procedures to prevent conflict of interest are structured around three key elements: prevention, detection and correction.</p> <p>Appropriate and proportionate preventive measures tailored to the specific situations are in place to mitigate the risk of fraud and conflict of interest to an acceptable level (such as mission statement, code of conduct, tone from the top communication, allocation of responsibilities, training and anti-fraud awareness raising actions).</p>
Articles 69(2) and 74(1)(c)-(d) CPR	7.3	<b>Appropriate measures</b> to prevent, detect and correct irregularities including cases of (suspected) fraud and to identify 'red flags' and fraud indicators, <b>are in place and function effectively</b> , including appropriate data collection on beneficial owners of beneficiaries and contractors, and the analysis of digital information, for example through the use of a data mining or risk scoring tool.
Article 69(12), Annex XII CPR	7.4	Appropriate measures are in place for the reporting and monitoring of irregularities, cases of (suspected) fraud, including conflicts of interest; cases of fraud suspicion are communicated to criminal investigative bodies. Such reporting mechanisms ensure sufficient coordination between the managing and/or audit authorities, competent investigative authorities in the Member State, EPPO and OLAF, including the electronic reporting to the Commission via the Irregularity Management System (IMS) by the competent body in the Member State, as set out in Annex XII of the CPR, where applicable.

<sup>31</sup> Participation in the enhanced cooperation with the European Public Prosecutor Officer can weigh positively in the assessment of this key requirement.

Legal ref.	No	Assessment criteria
<b>Key requirement 8: Appropriate procedures for drawing up the management declaration</b>		
In particular Articles 74(1)(f), 77(3)(a), 98(1)(b), Annexes XVIII and XIX CPR.		
Articles 74(1)(f) and 98(1)(b), Annex XVIII CPR	<b>8.1</b>	The management declaration is drawn up in accordance with the template set out in Annex XVIII of the CPR and appropriate procedures ensure its timely submission as part of the assurance package', by 15 February (or 1 <sup>st</sup> of March) of the following accounting year.
Article 77(3)(a) and Annex XIX CPR	<b>8.2</b>	Arrangements are put in place to ensure that the AA discharges its responsibilities under Annex XIX CPR.
<b>Key requirement 9: Appropriate procedures for confirming that the expenditure entered into the accounts is legal and regular</b>		
In particular Articles 63, 64, 67, 68, 69(2)-(3) and 74(1)(d)-(e) CPR.		
Articles 63, 64, 67, 68, 69(2)-(3) and 74(1)(d)-(e) CPR	<b>9.1</b>	<p>Appropriate procedures are in place to ensure that the expenditure for which reimbursement has been requested from the Commission and which is included in the accounts complies with the applicable law, the programme and the conditions for support of the operation.</p> <p>Such procedures ensure the consistency of the confirmation on legality and regularity of expenditure in the accounts with the results of risk-based management verifications and of the audits by the AA.</p>
<b>Key requirement 10: Appropriate procedures for drawing up and submission of payment applications and of accounts and confirming completeness, accuracy and veracity of the accounts</b>		
In particular Articles 69(10), 76(1), 91, 92, 98, Annexes VIII, XXIII, and XXIV CPR.		
Articles 69(10), 76(1)(a), (c), 91 and 92, Annexes VIII	<b>10.1</b>	Payment applications are drawn up in accordance with the template set out in Annex XXIII of the CPR and include the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations, 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 of the CPR. Payment applications can be reimbursed by

Legal ref.	No	Assessment criteria
and XXIII CPR		<p>the Commission only in respect of expenditure linked to specific objectives for which enabling conditions are fulfilled, or which contribute to the fulfilment of enabling conditions<sup>32</sup>.</p> <p>Procedures are in place to ensure the correct application of the conversion rate indicated in Article 76(1)(c) of the CPR.</p>
Articles 76(1)(b)-(c), 98(1)(a) and 98(3), (6)-(7), Annex XXIV CPR	10.2	<p>Appropriate procedures are in place for ensuring the completeness, accuracy, and veracity of the accounts in accordance with Article 98 of the CPR and with the template set out in Annex XXIV of the CPR. Electronic records are kept of all the elements of the accounts, including payment applications.</p> <p>The procedures in place ensure that expenditure entered in the accounts corresponds to expenditure declared in the payment applications submitted to the Commission in the accounting year after deduction of all irregular amounts detected through management verifications and audits, and</p> <ul style="list-style-type: none"> <li>a. irregular expenditure which has been subject to financial corrections in accordance with Articles 98(6)(a) and 103 of the CPR, including expenditure withdrawn during the given accounting year as set out in Article 98(3)(b) of the CPR and temporarily withdrawn and undergoing an assessment of their legality and regularity at the time of drawing the accounts in accordance with Article 98(6)(b) of the CPR;</li> <li>b. other amounts as necessary to reduce the residual error rate of the expenditure to 2% in accordance with Article 98(6)(c) of the CPR; and</li> <li>c. corrections of clerical errors, if applicable.</li> </ul> <p>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) of the CPR).</p> <p>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) of the CPR, by 15 February (or 1<sup>st</sup> of March) of the following accounting year.</p>

<sup>32</sup> Expenditure linked to specific objectives for which enabling conditions are not fulfilled are to be disclosed in Appendix 2 to the payment application.

Legal ref.	No	Assessment criteria
Article 76(1) CPR	<b>10.3</b>	Systematic and timely data exchange information system exists between the MA/IBs and the Body carrying out the accounting function, 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.

## KEY REQUIREMENTS IN RELATION TO THE AUDIT AUTHORITY

**Key requirement 11: Appropriate separation of functions and functional independence between the audit authority (and anybody carrying out audit work under the responsibility of the audit authority on which the audit authority relies and supervises, if applicable) and the other programme authorities and audit work carried out in accordance with internationally accepted audit standards**

In particular Articles 71(1)-(2) and (4), 77(2), 78 and Annex XXII CPR; Article 48 Interreg Regulation.

Articles 71(1), 71(2), 71(4) and 77(2) CPR Article 48 Interreg Regulation	<b>11.1</b>	<p>A <b>description of the audit function</b> is in place covering, in line with internationally accepted audit standards, at least:</p> <ul style="list-style-type: none"> <li>• sufficient audit resources, including staff and definition of sufficient qualifications / experience to fulfil all audit requirements (including for the head of the AA), taking into account the number, size and complexity of the programmes concerned;</li> <li>• written guidance and procedures suitable for the conduct of audits (e.g. audit manual and checklists);</li> <li>• continuous professional development, including training requirements;</li> <li>• written agreements (or other appropriate documents) setting out the delegated/outsourced tasks and the monitoring and supervision exercised by the AA in such cases.</li> </ul>
Articles 71(2) and 71(4) CPR Article 48 Interreg Regulation	<b>11.2</b>	<p>The AA and any audit body carrying out audit work under its responsibility is <b>functionally independent</b> from other programme authorities / auditees (i.e. MA and their IBs as well as the authority in charge of the accounting function if different from MA). The audit procedures in place ensure <b>avoidance of conflict of interest</b>.</p>
Article 78, Annex XXII CPR Article 48 Interreg Regulation	<b>11.3</b>	<p>An appropriate <b>audit strategy</b> is in place in line with the template designed in Annex XXII of the CPR, including inter alia supervision and quality review of the audit work. The AA ensures that the audit body(ies) carrying out audit work under its responsibility fully comply with the audit strategy and with the internationally accepted audit standards.</p> <p>The AA prepares <b>audit documentation</b> that is sufficiently detailed to provide a clear understanding of the audit work performed, evidence obtained and conclusions reached. Audit documentation includes in particular appropriate checklists/working papers which address all audited processes, including operations, key requirements of the management and control systems and accounts.</p>

## Key requirement 12: Appropriate system audits

In particular Articles 77(1)-(2) and (5), 78(1), 81(3), 83 and Annex XXII CPR.

Articles 77(1)-(2) 81(3) and 83 CPR	12.1	<p><b>System audits</b> are performed in accordance with the programme(s) audit strategy and based on an established audit methodology including a risk analysis and control testing, which complies with internationally accepted audit standards.</p> <p>System audits of newly identified managing authorities and authorities/bodies in charge of the accounting function are carried out within 21 months of the decision approving the programme.</p>
Article 78(1), Annex XXII/§3.2 CPR	12.2	<p>The audit scope covers the key requirements of the management and control system applicable to the relevant bodies (MA and its IBs, body carrying out the accounting function as well as bodies implementing financial instruments), as described in the AA's audit strategy.</p> <p>System audits also cover <b>specific thematic areas</b>, as appropriate, such as:</p> <ul style="list-style-type: none"> <li>a. quality and quantity of the administrative and on-the-spot management verifications in respect of applicable law such as public procurement rules, State aid rules, environmental requirements or double funding;</li> <li>b. quality of project selection and of related management verifications at the level of the managing authority or intermediate body, including avoidance of double funding;</li> <li>c. set-up and implementation of financial instruments at the level of the bodies implementing financial instruments;</li> <li>d. functioning and security of electronic systems, and their connection with the electronic data exchange system of the Commission;</li> <li>e. reliability of data related to targets and milestones and on the progress of the programme in achieving its objectives provided by the managing authority;</li> <li>f. financial corrections (and deductions from the accounts);</li> <li>g. implementation of effective and proportionate anti-fraud measures underpinned by a fraud risk assessment, as well as procedures for the avoidance of conflict of interest.</li> </ul>
Article 77(5)	12.3	Appropriate procedures are in place which ensure that the AA <b>transmits system audit reports</b> to the

		Commission as soon as the contradictory procedure with the auditee is concluded.
Article 77(2) CPR	<b>12.4</b>	The AA has effective procedures in place for the <b>follow-up</b> and <b>monitoring</b> of the implementation of recommendations and corrective measures resulting from system audit reports (including EC and ECA audits).
<b>Key requirement 13: Appropriate audits of operations</b>		
In particular Articles 69(4), 74(1)(b), 77(1)-(2), 79, 80 and 83 CPR; Articles 48 and 49 Interreg Regulation.		
Articles 77(1), 79 and 83 CPR Articles 48 and 49 Interreg Regulation	<b>13.1</b>	The <b>audits of operations</b> are performed in accordance with the programme(s) audit strategy and cover expenditure declared to the Commission in the accounting year on the basis of a sample <sup>33</sup> which is representative <sup>34</sup> and based on statistical sampling methods <sup>35</sup> and enables the AA to draw up a reliable audit opinion. The sampling methodology is in line with Article 79 of the CPR and Commission Delegated Regulation 2023/67 <sup>36</sup> . The sample for audit of operations may be limited, where appropriate, in line with the provisions of Article 83 of the CPR.
Article 79 CPR	<b>13.2</b>	The AA keeps <b>appropriate documentation</b> , including for illustrating the process followed to ensure a representative sample.
Articles 69(4), 74(1)(b), 77(1) and 80 CPR	<b>13.3</b>	Audits of operations are carried out based on supporting documents, taking due account of the principles of <b>single audit arrangements</b> and proportionality provided for in Article 80 of the CPR, and cover the <b>legality and regularity of expenditure</b> declared to the Commission, the encoding in the accounting system, the <b>reliability of output and result indicators</b> declared to the Commission, the <b>payment of the public contribution</b> to the beneficiary within 80 days, and the audit trail.  In addition, audits of operations verify that the operation was selected in accordance with the <b>selection</b> criteria for the programme, was not physically completed or fully implemented before the beneficiary submitted the application for funding under the programme, has been <b>implemented</b> in accordance with the approval decision and fulfilled, at the time of the audit, any applicable conditions concerning its

<sup>33</sup> In case of Interreg programmes, the sample is drawn by the European Commission (Article 49 of Regulation (EU) 1059/2021).

<sup>34</sup> The AMIF, the BMVI and the ISF Regulations establish specific provisions for audit of operations where an international organisation is a beneficiary.

<sup>35</sup> In line with Article 79(2) of the CPR where the population consists of less than 300 sampling units, a non-statistical sampling method (covering a minimum of 10 % of the sampling units in the population of the accounting year, selected randomly) may be used based on the professional judgement of the audit authority.

<sup>36</sup> 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.

		functionality, use, and objectives to be attained.
Articles 79(3) and 80(1) CPR	<b>13.4</b>	Audits of operations include an <b>on-the-spot verification</b> of the physical implementation of the operation only where, based on the auditors' professional judgement, this is required by the type of operation to support robust audit conclusions.
Article 77(2) CPR	<b>13.5</b>	The AA has effective procedures in place for the <b>follow-up</b> and <b>monitoring</b> of the implementation of recommendations and corrective measures arising from audits of operations.
<b>Key requirement 14: Appropriate audits of accounts</b>		
In particular Articles 77(1)-(2), 98 and Annex XXIV CPR.		
Article 77(1) CPR	<b>14.1</b>	<b>Audits of accounts</b> are carried out by the AA in accordance with Article 77(1) of the CPR and with the audit strategy in Article 78(1) of the CPR.
Article 98, Annexe XXIV CPR	<b>14.2</b>	<p><b>The AA</b>, based on the accounts provided by the body carrying out the accounting function, <b>verifies</b> that:</p> <ul style="list-style-type: none"> <li>a. the accounts are presented in accordance with the template set out in Annex XXIV of the CPR;</li> <li>b. the total amount of eligible expenditure declared in the accounts (in Appendix 1) in accordance with Article 98(3)(a) of the CPR matches the expenditure and the corresponding public contribution included in the final payment application submitted to the Commission for the relevant accounting year, linked to specific objectives for which enabling conditions are fulfilled (or those that contribute to the fulfillment of enabling conditions). In case of differences, appropriate explanations are provided in Appendix 4 to the accounts;</li> <li>c. the amounts withdrawn during the accounting year from the payment applications and presented in the accounts and based on decisions taken by MA correspond to the amounts entered in the accounting systems of the MA or the body carrying out the accounting function;</li> <li>d. expenditure has been deducted from the accounts in accordance with Article 98(6) of the CPR, where applicable, and all the required corrections are reflected in the accounts for the accounting year concerned so that the residual error rate is below 2% in line with Article 98(5) of the CPR;</li> <li>e. the financial corrections made resulting from the AA's audits, as well as from Commission, European Court of Auditors and OLAF reports, are accurately reflected in the accounts.</li> </ul>

Article 77(2) CPR	<b>14.3</b>	Audits of accounts are carried out in accordance with internationally accepted audit standards. Audits of accounts are properly <b>documented</b> through working papers, in particular appropriate checklists, and supporting documents. The audit file and audit documentation properly reflect the audit work done and provide an appropriate and sufficient basis for the AA's audit report and opinion in relation to the completeness, accuracy and veracity of the accounts. It further allows the internal quality review and external reviewers to conclude on the extent and sufficiency of the checks.
Article 77(2) CPR	<b>14.4</b>	The AA has effective procedures in place for the <b>follow-up</b> and <b>monitoring</b> of the implementation of recommendations and corrective measures resulting from audits of accounts.

**Key requirement 15: Appropriate procedures for providing a reliable audit opinion and for preparing the annual control report**  
In particular Articles 77(3)-(4), 78, 98(1)(c)-(d), Annexes XIII, XIX and XX CPR; Articles 48 and 49 Interreg Regulation.

Articles 77(3), 98(1)(c), Annexes XIII and XIX CPR Articles 48 and 49 Interreg Regulation	<b>15.1</b>	Appropriate procedures are in place to ensure that the AA express an independent and reliable <b>audit opinion</b> <sup>37</sup> on (i) the completeness, accuracy and veracity of the accounts, (ii) whether expenditure for which reimbursement has been requested from the Commission and which is included in the accounts is legal and regular <sup>38</sup> , and (iii) whether the management and control system put in place functions properly, reflecting the conclusions drawn from the system audits, audits of operations and audits of accounts and in accordance with the template provided in Annex XIX CPR.  The AA keeps sufficient evidence and documents about how it obtained the assurance level expressed in the ACR.
Articles 77(3)-(4), 98(1)(d), Annex XX CPR	<b>15.2</b>	Appropriate procedures are in place to ensure that the AA provides a complete <b>annual control report</b> ( <b>ACR</b> ) <sup>39</sup> which supports the annual audit opinion and sets out a summary of findings, including an analysis of the nature, extent, root causes and, in particular if the reported total error rate is material, impact of errors.

<sup>37</sup> For Interreg programmes, the ACR and audit opinion cover all participating countries.

<sup>38</sup> When an Interreg programme is part of the common sample, the opinion on the legality and regularity of expenditures is not required (Article 48(5) of Regulation (EU) 2021/1059) and the total error rate and residual error rate and consequent necessary actions are directly established by the European Commission (Article 49 of Regulation (EU) 2021/1059).

<sup>39</sup> Ibidem.

		Procedures ensure an appropriate reporting in ACR on deficiencies in the systems as well as the proposed and implemented corrective actions; all detected errors are appropriately reported and treated in view of the resulting total error rate and residual error rate for the expenditure entered in the accounts submitted to the Commission in accordance with the template set out in Annex XX of the CPR.
Article 77(3) CPR	<b>15.3</b>	Where <b>deficiencies</b> detected appear to be <b>systemic in nature</b> and therefore entail a risk for other operations under the programme, appropriate procedures are put in place to ensure that the audit authority (i) conducts further examination, including, where necessary, additional audits to establish the scale of such problems, (ii) recommends the necessary corrective actions, and (iii) presents the measures taken, including a quantification of the irregular expenditure and any related financial corrections.
Article 98(1)(c) - (d) CPR	<b>15.4</b>	The AA has in place procedures to ensure timely submission of the audit opinion and the ACR to the Commission as part of ‘the assurance package’, by 15 February (or 1 <sup>st</sup> of March under Article 98(2) CPR) of the following accounting year.