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EUROPEAN COMMISSION

European Structural and Investment Funds

Guidance for Member States on Preparation, Examination and Acceptance of Accounts

Revision 2018

DISCLAIMER: *This is a document prepared by the Commission services. On the basis of the applicable EU law, it provides technical guidance to colleagues and other bodies involved in the monitoring, control or implementation of the European Structural and Investment Funds (except for the European Agricultural Fund for Rural Development (EAFRD)) on how to interpret and apply the EU rules in this area. The aim of this document is to provide Commission's services explanations and interpretations of the said rules in order to facilitate the programmes' implementation and to encourage good practice(s). This guidance note is without prejudice to the interpretation of the Court of Justice and the General Court or decisions of the Commission*

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LIST OF ACRONYMS AND ABBREVIATIONS

AA	Audit Authority
CA	Certifying Authority
CPR	Common Provisions Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17.12.2013) [1]
CIR	Commission Implementing Regulation (EU) No 1011/2014 of 22.9.2014[2]
EMFF	European Maritime and Fisheries Fund
ESIF	ESIF corresponds to all European Structural and Investment Funds. This guidance applies to all except for the European Agricultural Fund for Rural Development (EAFRD)
ETC	European Territorial Cooperation Regulation (Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17.12.2013)[3]
FR	Regulation (EU, EURATOM) No 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[4]
Funds	The Structural Funds (ERDF and ESF) and the Cohesion Fund
MA	Managing Authority
MCS	Management and Control System
RTER	Residual total error rate (calculated by the audit authority, based on the sample of operations audited and after deducting individual and extrapolated financial corrections applied before submission of the accounts by the Member State in relation to the errors detected by the AA)
TER	Total error rate (calculated by the audit authority, based on the sample of operations audited)
YEI	Youth Employment Initiative

[1] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1303

[2] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R1011

[3] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013R1299

[4] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32012R0966

1. BACKGROUND

1.1. Regulatory references

Regulation	Articles
Regulation (EU, Euratom) /2018/1046	Article 63 – Shared management with Member States
Regulation (EU) No 1303/2013 as amended by Regulation (EU, Euratom) 2018/1046 Common Provisions Regulation *(hereafter CPR)*	Article 84 – Deadline for the examination and acceptance of accounts by the Commission Articles 137 – Preparation of the accounts Article 138 – Submission of information Article 139 – Examination and acceptance of accounts
Commission Implementing Regulation (EU) No 1011/2014 *(hereafter CIR)*	Article 7 and Annex VII – Model for the accounts

1.2. Purpose of the guidance

The purpose of this document is to provide

- Guidance to the Member States on how to submit the accounts to the Commission using the models set out in Appendices 1, 6, 7 and 8 Annex VII CIR.

- Guidance on the preparation, submission, examination and acceptance and follow-up of the accounts under Articles 137, 138 and 139 CPR.

This guidance applies to all ESIF except for the European Agricultural Fund for Rural Development (EAFRD). For simplification, hereafter the word "Appendix" refers always to the Appendices in the model accounts of Annex VII CIR unless specified otherwise.

1.3. New provisions in the 2014 – 2020 period on the examination and acceptance of accounts

The provisions in the CPR concerning financial management, audit and financial corrections introduce modifications to the assurance model for the 2014-2020 programming period compared to the 2007 – 2013 programming period.

The key new elements on financial management in the CPR are:

- A twelve-month accounting year running from 1 July to 30 June (except for the first one);

- Retention of 10% of EU interim payment calculated on the basis of Member State' payment applications;

- Submission by each programme of certified accounts for expenditure declared to the Commission during the accounting year;

- Submission to the Commission of accompanying documents to give assurance on the accuracy of the accounts, the effective functioning of the system and the legality and regularity of the underlying transactions (management declaration, annual summary of controls and audits, audit opinion and control report i.e. the assurance documents);

- The reimbursement or recovery of annual balance, following acceptance of accounts by the Commission;

In the 2014-2020 programming period, there is an additional safeguard for protecting the EU budget through a systematic retention of 10% of the interim payments as indicated above. By February following the end of the accounting year (1 July - 30 June), the control cycle is complete at national level both through management verifications by the MAs and audits by the AAs. The residual risk of error in the block of expenditure covered by the accounts should be low, since the CAs must deduct all irregularities detected during the accounting year and up to the transmission of the draft annual accounts by the CA to the AA.

The results of the audit work performed by the AA on the (draft) accounts should be taken into account by the CA before transmission of the certified accounts to the Commission.

The Commission examines the assurance documents and the accounts provided by the relevant authorities in the Member States. The payment or recovery of the annual balance is made only after this assessment is finalised and the accounts are accepted.

2. GENERAL ISSUES

Even though the Member States can establish different internal deadlines for the preparation of the final interim payment application, the CA shall submit the final application for an interim payment between 1 and 31 July each year, in line with Article 135(2) and 2(29) CPR.

However, it can be envisaged that no new additional expenditure is added in the final interim payment application compared to the previous interim payment application. In other words, the final interim payment application can be a zero additional amount application. Negative interim payment applications are not accepted as they may lead to a recovery order[5].

In addition, the final interim payment application might be the only interim application transmitted to the Commission to cover the accounting year.

According to Article 126(b) CPR, it is the programme's CA who is responsible for drawing up the accounts. The CA is also responsible for certifying the completeness, accuracy and veracity of the accounts and that the expenditure entered in the accounts complies with applicable law and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with applicable law.

From 2016 until and including 2025, accounts are submitted by 15 February N+1 for each accounting year for each Fund, the EMFF and programme. Accounting year means the period from 1 July N-1 to 30 June N,. (The final accounting year shall be from 1 July 2023 to 30

[5] In such cases the negative items should be deducted directly from the corresponding programme accounts at the time of their certification to the Commission.

June 2024.) This accounting year is the reference period for the accounts, the management declaration, the annual summary, the audit opinion and the annual control report. It is different from the financial year for the Commission accounts, i.e. the calendar year from 1 January to 31 December, but it ensures reducing the time gap for the Commission assurance process.[6]

Accounting years	Deadline for payment annual pre-financing (before)	Deadline for final interim payment (between)	Deadline for submission of accounts**	Pre-financing cleared after acceptance of accounts
01/01/2014*-30/06/2015	-	01/07/2015 - 31/07/2015	15/02/2016	-
01/07/2015-30/06/2016	01/07/2016	01/07/2016 - 31/07/2016	15/02/2017	2016 annual pre-financing cleared by 31/05/2017
01/07/2016-30/06/2017	01/07/2017	01/07/2017 - 31/07/2017	15/02/2018	2017 annual pre-financing cleared by 31/05/2018
01/07/2017-30/06/2018	01/07/2018	01/07/2018 - 31/07/2018	15/02/2019	2018 annual pre-financing cleared by 31/05/2019
01/07/2018-30/06/2019	01/07/2019	01/07/2019 - 31/07/2019	15/02/2020	2019 annual pre-financing cleared by 31/05/2020
01/07/2019-30/06/2020	01/07/2020	01/07/2020 - 31/07/2020	15/02/2021	2020 annual pre-financing cleared by 31/05/2021
01/07/2020-30/06/2021	01/07/2021	01/07/2021 - 31/07/2021	15/02/2022	2021 annual pre-financing cleared by 31/05/2022
01/07/2021-30/06/2022	01/07/2022	01/07/2022 - 31/07/2022	15/02/2023	2022 annual pre-financing cleared by 31/05/2023
01/07/2022-30/06/2023	01/07/2023	01/07/2023 - 31/07/2023	15/02/2024	2023 annual pre-financing cleared by 31/05/2024
01/07/2023-30/06/2024	-	01/07/2024 - 31/07/2024	15/02/2025	-

* incl. expenditure under the YEI eligible as of 01/09/2013
** or 01/03/20xx at the request of the Member State

Following the submission of the accounts, the Commission will proceed with the examination of the accounts and provide its conclusion as for their acceptance by 31 May N+1 at the latest in line with Article 84 CPR.

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6 The last EC payment in relation to an accounting year is to be made by 30 September at the latest (date of final payment claim + 2 months), unless the payment deadline is interrupted/suspended by the EC, and thus is covered by the assurance package to be received by the following 15 February. This payment as well as any subsequent EC payment till the end of the calendar year (based on a next interim payment claim under the subsequent accounting year) is subject to the 10% retention and covered by the assurance package of the next year.

The Commission may exceptionally extend the deadline for the submission of the accounts to 1 March N+1, upon justified request from the Member States concerned in line with Article 63 (5) FR.

The accounting year, Fund (or the EMFF) and the programme should be clearly identified in the accounts in accordance with the model of the accounts as defined in the CIR. For multi-fund programmes, accounts should be prepared separately for each Fund as indicated in CIR (except for YEI specific allocation and ESF).

3. Amounts entered into the accounting system of the CA (Appendix 1)

As a general rule, it should be stated that the model of the accounts mirrors the model of the final interim payment application of the accounting year concerned.

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

Priority	Total amount of eligible expenditure entered into the accounting systems of the certifying authority and which has been included in the payment applications submitted to the Commission (A)	Total amount of the corresponding public expenditure incurred in implementing operations (B)	Total amount of corresponding payments made to beneficiaries under Article 132(1) of Regulation (EU) No 1303/2013 (C)
Priority (category of region/type of intervention (YEI), when applicable)	*<type="Cu" input="M">*	*<type="Cu" input="M">*	*<type="Cu" input="M">*

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

3.1.1. Column A

Column A contains the total amount of eligible expenditure entered into the accounting systems of the CA and which has been included in the payment applications submitted to the Commission. This is a cumulative figure within the accounting year. It corresponds to the amount declared in the final interim payment application of that accounting year, minus possible subsequent deductions, including those resulting from any management verifications, audit or control activity, applied directly in the accounts (i.e. deductions not yet reflected in the final interim payment application).[7] Consequently, the amounts reported in this column should be equal to or less to the corresponding amount declared under the final interim payment application (column B of Annex VI to CIR 1011/2014).

1. Expenditure under ongoing assessment (Article 137(2) CPR):

Where the MA or CA 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

[7] Any deductions made in the interim payment application(s) during the accounting year are already included given that the final interim payment is cumulative.

expenditure[8], the CA can use the provision of Article 137(2) CPR and temporarily 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 fully legal and regular). Alternatively, it is the Member State's prerogative to decide to definitely withdraw the concerned expenditure from the programme by applying the provisions of Article 143 CPR. In such case the expenditure is definitely excluded from the programme co-financing (with the exception of specific cases of decisions by a Court or other bodies within the judicial system mentioned in section 10 of the Commission's *Guidance for Member States on Amounts Withdrawn, Recovered, to be Recovered and Irrecoverable Amounts* ref. EGESIF 15_0017, as updated in 2018).

With regard to management verifications carried out on expenditure of the reference accounting year already declared in interim payment applications, it is recommended to apply the following approach:

- **Irregularities established following management verifications** (i.e. final document or record containing final conclusions of the relevant control procedure)**:**

  - Amounts of the established irregularities should be deducted from the accounts (applied corrections are considered final) and therefore cannot be treated as ongoing assessment.

  - If corresponding corrections are not applied, i.e. not deducted from the accounts, this should be disclosed in the assurance package and taken into account by the AA for its audit opinion.

- **Potential irregularities detected during management verification** (i.e. management verification not yet finalized at the time the accounts are prepared, however potential irregular expenditure already identified)

  - Amounts of potential irregular expenditure fall under the definition of ongoing assessment and it is recommended to deduct them from the accounts. These amounts or parts of them can be later re-introduced in an interim payment application to the EC if concluded eligible based on the final results of the management verification.

- **Expenditure for which the management verification is planned or ongoing** (i.e. not yet at the stage of draft report/preliminary conclusions indicating any potential irregularities at the time the accounts are prepared)

  It is responsibility of the Member State (MA and CA) to assess the risks and impact of certifying the legality and regularity of the concerned expenditure in the accounts.

  - if the CA decides to treat such expenditure as under ongoing assessment, the corresponding amount should be deducted from the current accounts (and can be re-introduced at a later stage once the verification is finalised and results are positive).

  - if not, it means that the Member State (MA and CA) has sufficient assurance that, to its best knowledge, the concerned expenditure is fully legal and regular and may remain in the programme accounts.

The amounts related to ongoing assessment are not considered as financial corrections and should be disclosed in the comments of Appendix 8 (see footnote 16).

[8] e.g. there are ongoing audits by the AA or EU auditors for which definitive results are not yet available

The CA should deduct amounts under ongoing assessment from the accounts, and not at the stage of payment applications. This would mean that amounts under ongoing assessments are left in the payment claims to the Commission during the accounting year till the submission of the accounts. According to Article 137(2) CPR, the whole or part of such expenditure that is subsequently found to be legal and regular may be included by the CA in an application for interim payment relating to subsequent accounting years. Therefore, amounts entered in the accounting system of a CA with regard to an accounting year can be higher than the amounts actually declared under annual accounts for that accounting year in line with Article 135(1) CPR.

2. Established irregularities:

Irregular expenditure resulting from the audit work (performed by or under the supervision of the AAs, the Commission or by the European Court of Auditors) and from the additional management verifications by the MA or verification work by the CA, related to declared expenditure during the accounting year should also be deducted from the accounts.

All amounts for which irregularities were detected either during the accounting year or between the end of the accounting year and the submission of the accounts need to be deducted from the accounts, if they have not been already withdrawn in an application for interim payment during the accounting year or if the amount was still included in the final application for interim payment.

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) then the Member State has the possibility of withdrawing the irregular expenditure from the programme by deducting it from a next interim payment application or to leave the expenditure certified in previous accounts, pending the outcome of the recovery procedure (see section 2 of the Commission's *Guidance for Member States on Amounts Withdrawn, Recovered, to be Recovered and Irrecoverable Amounts* ref. EGESIF 15_0017, as updated).

3.1.2. Column B

Column B contains the total amount of the corresponding public expenditure incurred in implementing operations. The amount of public expenditure (as defined in Article 2(15) CPR) stems from the amounts declared under column A and is equal or lower than the amount requested in Column A.

For the reasons explained above, the amounts reported in this column should be equal to or less than the corresponding amount declared under the final interim payment (column C of Annex VI to CIR 1011/2014).

3.1.3. Column C

Column C contains the total amount of corresponding payments made to beneficiaries under Article 132(1) CPR. It is the total amount of public co-financing (both EU and national[9])

[9] To be understood as any administrative level of a Member state (national, regional etc.)

which has been paid by the body granting the ESIF support[10] to beneficiaries in compliance with the 90-days provision laid down in Article 132(1) CPR.

The payments made to beneficiaries after this 90-days deadline can also be included, provided that conditions stipulated in Article 132(2) are respected.

According to Article 132(2) CPR, the 90 day payment deadline may be interrupted by the MA in either of the following duly justified cases:

- the amount of the payment application is not due or the appropriate supporting documents, including the documents necessary for management verifications have not been provided or
- an investigation has been initiated in relation to a possible irregularity affecting the expenditure concerned.

This column C is only used for reporting purposes and not for the calculation of the balance of the accounts.

4. AMOUNT OF PROGRAMME CONTRIBUTIONS PAID TO FINANCIAL INSTRUMENTS (APPENDIX 6 TO THE PROGRAMME ACCOUNTS)

	Programme contributions paid to financial instruments included in payment applications		Amounts paid as eligible expenditure in the meaning of Article 42(1)(a), (b) and (d) of Regulation (EU) No 1303/2013 (1)	
	(A)	(B)	(C)	(D)
Priority	Total amount of programme contributions paid to financial instruments	Amount of corresponding public expenditure	Total amount of programme contributions effectively paid, or, in the case of guarantees, committed, as eligible expenditure in the meaning of Article 42(1)(a), (b) and (d) of Regulation (EU) No 1303/2013 (2)	Amount of corresponding public expenditure

The amounts of programme contributions paid to financial instruments and the amounts paid by financial instruments to final recipients or, in case of guarantees, resources committed have to be reported in Appendix 6. These amounts are reported cumulatively, from the start of the programme (contrary to Appendix 1 which refers to cumulative amounts within the accounting year). In case that amounts deducted from the accounts (in Appendix 1) contain expenditure related to financial instruments, these amounts should be reflected accordingly in Appendix 6[11].

[10] I.e. co-financing paid by the managing authority (or its intermediate body) or on its behalf by the certifying authority (or its intermediate body). The amount reported under column C therefore should not include matching public funding (e.g. own resources of a beneficiary - public body)

[11] In case amounts related to financial instruments are deducted in the accounts, the Appendix in the following payment application should also be adapted accordingly unless the amounts are already re-declared.

The information reported by the Member States in this Appendix will be used by the Commission for the preparation of its annual accounts. Detailed information on the content of the fields is available in the Commission's *Guidance for Member States on Article 41 CPR - Requests for payment* ref. EGESIF 15-0006-01 of 08/06/2015.

It should be noted that in case of financial instruments implemented pursuant to Article 38(4)(c) CPR the annexes to the payment application and to the accounts showing the cumulative expenditure disbursed to final recipients do not need to be filled in[12].

The amounts reported in column (B) "*Amount of corresponding public expenditure"* cannot be higher than the amounts in column (A) "*Total amount of programme contributions paid to financial instruments*". The same applies also to columns C and D. Moreover the amounts in column (C) "*Total amount of programme contributions effectively paid, or, in the case of guarantees, committed, as eligible expenditure* " must always to be lower than (or equal to) the amounts of column (A). Likewise the amounts in column (D) are always lower than (or equal to) the amounts of column (B).

The amounts (per priority and per category of region) reported in columns A and B (programme contributions paid to financial instruments and included in the payment applications) cannot be higher than the sum of the amounts declared under the respective priority and category of region in the payment applications, including the earlier accounting years[13].

Total programme contributions have to be reported (EU + national co-financing). It should be noted that in accordance with the provisions in Article 41(1)(b) CPR and in exception to the general rule of Article 131(1) CPR, it is possible to declare to the Commission (and respectively report in columns A and B) amounts of national co-financing (both public and private) which were not yet paid to the financial instrument but are expected to be paid to the financial instrument or at the level of final recipients within the eligibility period.

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[12] As regards FIs implemented pursuant to Article 38(4)(c) CPR implementation takes place directly at the level of MA (or intermediate body). There is no payment to the FI.

In accordance with the provisions of Article 41(2) CPR the application for payment should include payments to final recipients, and in the case of guarantees, resources committed for guarantee contracts.

[13] In other words, the basic principle is that expenditure related to financial instruments in a certain priority and category of region cannot exceed the total expenditure in the respective priority or category of region.

5. Advances paid in the context of State aid (Article 131 (4) and (5) CPR) (Appendix 7 to the programme accounts)

Priority	Total amount paid from the operational programme as advances	Amount which has been covered by expenditure paid by beneficiaries or, where Member States have decided that the beneficiary is the body granting the aid pursuant to the second sentence of Article 2(10) CPR, by the bodies receiving the aid within 3 years of the payment of the advance	Amount which has not been covered by expenditure paid by beneficiaries or, where Member States have decided that the beneficiary is the body granting the aid pursuant to the second sentence of Article 2(10), by the body receiving the aid, and for which the 3 year period has not yet elapsed
	(A)	(B)	(C)
Priority (category of region/type of intervention (YEI), when applicable)	<type="Cu" input="M">	<type="Cu" input="M">	<type="Cu" input="M">

In accordance with Article 131(4) CPR, advances may be paid to the beneficiaries by the body granting the aid, up to 40% of the total amount of the aid to be granted to a beneficiary for a given operation and included in a payment application to the Commission.

In line with Article 131(5) CPR, Member States must disclose the information covered by columns A, B and C in Appendix 2 of Annex VI to CIR 1011/2014 of each payment application to the Commission. Adjustments of these amounts included in the final interim 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 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.

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 7[14].

As indicated in the CIR, 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).

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[14] 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.

5.1. 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 contributions paid as advances by the MA to the beneficiaries.

The amount in this column derives from the cumulative data reported under the final interim payment (Annex VI to CIR 1011/2014, Appendix 2 – 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 3 year period has elapsed, the cumulative amounts reported in column (A) should be reduced with the corresponding amounts.

5.2. 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 2023, 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 interim payment (Annex VI to CIR 1011/2014, Appendix 2 – column B), reflecting any deductions, if relevant.

5.3. 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 or on 31 December 2023, whichever is earlier.

The amount in this column derives from the cumulative data reported under the final interim payment (Annex VI to CIR 1011/2014, Appendix 2 – column C), reflecting any deductions, if relevant.

6. RECONCILIATION OF EXPENDITURE (APPENDIX 8 OF THE PROGRAMME ACCOUNTS)

Priority	*Total eligible expenditure included in payment applications submitted to the Commission*		*Expenditure declared in accordance with Article137(1)(a) of Regulation (EU) No 1303/2013*		*Difference*		*Comments (obligatory in case of difference)*
	Total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations	Total amount of public expenditure incurred in implementing operations	Total amount of eligible expenditure entered into the accounting systems of the Certifying Authority and which has been included in the payment applications submitted to the Commission	Total amount of the corresponding public expenditure incurred in implementing operations	(E=A-C)	(F=B-D)	
	(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)**
Priority (category of region/type of intervention (YEI), when applicable)	*<type="Cu" input="G">*	*<type="Cu" input="G">*	*<type="Cu" input="G">*	*<type="Cu" input="G">*	*<type="Cu" input="G">*	*<type="Cu" input="G">*	*<type="S" maxlength="500" input="M">*
Out of which amounts corrected in the current accounts as a result of audits of operations according to Article 127(1) of Regulation (EU) N° 1303/2013					*<type="Cu" input="M">*	*<type="Cu" input="M">*	

As explained in section 3.1.1 of this guidance, the CA can deduct amounts from the accounts. For this reason, the amounts in the final interim 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. Any such difference in amounts should be explained in this reconciliation table.

6.1. *Columns A and B*

The data of these columns are generated automatically by SFC2014 on the basis of the final interim payment.

In the first two columns (A and B), the total eligible expenditure included in the interim payment applications submitted to the Commission for the accounting year concerned is included. As the interim payment applications are cumulative in the accounting year, these data should match with the amounts indicated in the final interim payment application (columns B and C).

Column A contains the total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations; it corresponds with the figures encoded under the final interim payment (annex VI CIR, column B). Column B contains the total amount of corresponding public expenditure incurred in implementing operations; it corresponds with the figures encoded under the final interim payment (annex VI CIR, column C).

6.2. *Columns C and D*

The data of these columns are generated automatically by SFC2014 on the basis of the amounts entered under Appendix 1.

The two columns (C and D) contain the expenditure stated in the accounts in accordance with Article 137 (1) (a) CPR.

Column C contains the total amount of eligible expenditure entered into the accounting system of the CA and which has been included in the payment applications submitted to the Commission; it corresponds with the figures encoded under the accounts (Appendix 1 - column A). Column D contains the total amount of the corresponding public expenditure incurred in implementing operations; it corresponds with the figures encoded under the accounts (Appendix 1 - column B).

6.3. *Columns E, F and G*

The differences between expenditure declared in the final interim payment application of the accounting year (two first columns A and B) and the expenditure certified in the accounts (next two columns C and D) may result mainly from deductions resulting from the audit work and/or further management verifications after the end of the accounting year[15]. They are shown in the columns E (difference of the columns A – C) and F (difference of the columns B – D).

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[15] See section 3.4. of the Commission's *Guidance for Member States on Amounts Withdrawn, Recovered, to be Recovered and Irrecoverable Amounts* ref. EGESIF 15_0017 , as updated

The data of columns E and F are generated automatically by SFC2014.

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

Explanations, justifications and comments are to be provided under the 'comments' in the last column G. In case of differences shown in columns E or F, it is obligatory to fill in the column G.

The text in this column should correspond with a possible cross-reference to annual summary or annual control report when relevant. The CA should provide in this column relevant information which is concise, complete, comprehensive[16] and to explain the context and give reference to national related documents where necessary (annual control reports, Court decisions, etc.). If needed the Member State can add a separate note to explain; however, information contained in the other documents of the "assurance package" (annual summary, management declaration, annual control report and audit opinion) should not be repeated. The part of the adjustments resulting from the audit of operations according to Article 127(1) CPR shall also be specifically mentioned in the last line of the table as indicated in CIR. 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.

7. SUBMISSION OF THE ACCOUNTS

7.1. Submission

7.1.1. Consistency checks between documents

In line with the principle of the segregation of duties, the legal framework assigns the responsibility for preparing different elements of the accounts package to different authorities (accounts by the CA, management declaration and annual summary by the MA and audit opinion and annual control report by the AA). The linkage 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 (to be designated at national or regional level) to perform all required consistency checks paying special attention to the correspondence between tables.

[16] For the purposes of reconciliation and calculation of the residual total error rate, it is recommended that the information includes also distinction between the amounts deducted from the accounts as definitive financial corrections and the amounts temporarily excluded under Article 137(2) CPR. If the adjustments per priority partly concern amounts temporarily excluded under Article 137(2) and partly financial corrections, it is recommended that the comments field includes information on the split between both types of amounts.

Internal coordination is even more important for ETC programmes and should be established in these programmes.

In this context, it is recommended that the national authorities set, from the beginning of the 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.

7.1.2. Practical arrangements with regard to a request for a deadline extension

Following Article 63(7) FR, the deadline of 15 February may exceptionally be extended by the Commission to 1 March, upon communication by the Member State concerned. The request should be sent before 15 February to the Commission (via SFC2014) in the form of a letter setting out the exceptional circumstances justifying the request for extension.

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

Late submission will automatically entail a delay in the examination and acceptance process and could be considered as one of the 'reasons attributable to Member State' referred to in Article 139(4) CPR.

This may in turn result in a later settlement of the final balance for that given accounting year.

In addition, according to Article 83(1)(c) CPR, the authorising officer may interrupt the payment deadline for an interim payment application if there is a failure to submit one of the documents required under Article 63(5) FR.

8. CALCULATION OF THE ANNUAL BALANCE

8.1. Calculation of the annual balance

Unlike the 2007 – 2013 period, where the co-financing rate was applied on retroactive base to the expenditure declared since the beginning of the programming period, the co-financing rate in the 2014 – 2020 period will be applied to the expenditure declared in a given accounting year.

On the basis of the accepted accounts, the amounts chargeable to the Funds and the EMFF will be calculated using the co-financing rate in force at the date of the submission of the final interim payment application. Moreover, when a Member State was benefiting from a top-up according to Article 24 CPR at the time of the submission of the final interim payment application to the Commission, this shall also trigger the application of top-up for the calculation of the balance of the accounts.

The amounts used for this calculation will be extracted from the columns (A) and (B) of the Appendix 1 of the accounts.

Subsequently the balance of the accounts will be calculated by deducting the EU support paid (by the Commission as interim payment applications during the accounting year) and the annual pre-financing paid from the amounts chargeable to the Funds or the EMFF.

The respect of the ceiling indicated in Article 130 (2.a) CPR will be checked at the closure of the programme. For the purpose of the respect of the ceiling indicated in Article 130 (2)(b) the Commission will take into account all the interim payments (including any amounts in line with Article 139 (7) CPR) made to the programme since the beginning of this programme.

8.2. Financial consequences

Following the examination and acceptance of accounts procedure and depending on the result of the calculation of the balance, the Commission will pay any additional amount due or establish recoveries. Amounts due will be paid within 30 days of the acceptance of the accounts.

Amounts to be recovered will be considered as assigned revenue in accordance with Article 21(3)(b) FR. Such recoveries will not constitute a financial correction and will not reduce support from the Funds or the EMFF to the programme.

Where the calculation of the accounts results in amounts to be recovered, where possible, it will be subject to offsetting against amounts due to the Member State under subsequent payments to the same programme.

In practice, this means that in case there are payable payment applications available within 30 calendar days after the acceptance of the accounts an offsetting will be done on these payments. If no payment applications are available and thus no offsetting will be possible, a recovery order will be established and possibly offset against the payments of the subsequent annual pre-financing.
Amounts due will be paid and recovery orders will be issued without prejudice to Articles 83 and 142 CPR.

In all situations, the annual pre-financing will be cleared from the Commission's accounts, either by a payment or by a recovery.

8.3. Simplified example of the calculation of the balance

This simplified example illustrates the calculation of the balance of the accounts for the accounting year 01/07/2015 to 30/06/2016 according to the following assumptions: a total cost based programme with one priority axis and a co-financing rate of 85%. The contribution from the Funds (or the EMFF) for the priority laid down in the decision of the Commission approving the programme is 850 €.

For the second accounting year, an annual pre-financing has been paid before 1 July 2016: 20 € (a1).

1/ Final interim payment

The CA submits the final interim payment application for this programme between 01/07/2016 and 31/07/2016 with the following amounts:

Final Interim Payment application		
Priority Axis	**Total (B)**	**Public (C)**
OP - 1	260 €	200 €

On the basis of this final interim payment application, the EU support paid to the Member State is calculated as follows:

- The co-financing rate of the priority axis is applied to the total expenditure declared in the final interim payment application: 260 € (B) x 85% = 221 €. When a Member State is benefiting from a top-up according to Article 24 CPR at the time of the submission of the final interim payment application, the co-financing rate is increased by 10% (not exceeding 100%). So, in this case a co-financing rate of 95% will be applied instead of 85%.
- The ceiling indicated in Article 130 (2.b) CPR, taking into account all the interim payments including any amounts in line with Article 139 (7) CPR, is verified.
- The Commission reimburses as interim payment 90% of the calculated amount: 221 € x 90% = 198,9 € (b1)

2/ Accounts

Scenario 1:

The authorities of the Member State did not identify any illegal or irregular expenditure. The amounts declared in the final interim payment application are confirmed in their totality and no amounts subject to ongoing assessment (cf. Article 137(2) CPR) or resulting from audit work are deducted from the accounts. The CA submits the accounts of the accounting year 01/07/2015 to 30/06/2016 by 15 February 2017 to the Commission.

The Appendix 1 of the accounts contains the following amounts:

Accounts		
Priority Axis	**Total (A)**	**Public (B)**
OP-1	260 €	200 €

The amount chargeable to the Funds (or the EMFF) is calculated as follows:

- The co-financing rate of the priority axis (in force at the moment of the submission of the final interim payment application) is applied to the total amount certified in the accounts: 260 € (A) x 85% = 221 € (c1). When a Member State is benefiting from a top-up according to Article 24 CPR at the time of the submission of the final interim payment application, the co-financing rate is increased by 10% (not exceeding 100%). So, in this case a co-financing rate of 95% will be applied instead of 85%.

- The ceiling indicated in Article 130 (2.b) CPR, taking into account all the interim payments including any amounts in line with Article 139 (7) CPR, is verified.

Subsequently, the balance is calculated by deducting the EU support paid (as calculated in the final interim payment application) and the annual pre-financing paid from the amount chargeable to the Funds (or the EMFF): 221 € (c1) – 198,9 € (b1) – 20 € (a1) = 2,1 €

As the calculation of the balance results in a positive amount, the Commission will pay this amount due within 30 days of the acceptance of the accounts.

Scenario 2:

The authorities of the Member State deducted some amounts subject to ongoing assessment (Article 137(2) of CPR) or resulting from audit work.

p.m. Amounts deducted from the accounts before submission		
Priority Axis	**Total (A)**	**Public (B)**
OP-1	60 €	40 €

The CA submits the accounts of the accounting year 01/07/2015 to 30/06/2016 by 15 February 2017 to the Commission.

The Appendix 1 of the accounts contains the following amounts:

Accounts		
Priority Axis	**Total (A)**	**Public (B)**
OP-1	200 €	160 €

The amount chargeable to the Funds (or the EMFF) is calculated as follows:

- The co-financing rate of the priority axis (in force at the moment of the submission of the final interim payment application) is applied to the total amount certified in the accounts: 200 € (A) x 85% = 170 € (c1). When a Member State is benefiting from a top-up according to Article 24 CPR at the time of the submission of the final interim payment application, the co-financing rate is increased by 10% (not exceeding 100%). So, in this case a co-financing rate of 95% will be applied instead of 85%.

- The ceiling indicated in Article 130 (2.b) CPR, taking into account all the interim payments including any amounts in line with Article 139 (7) CPR, is verified.

Subsequently, the balance is calculated by deducting the EU support paid (as calculated in the final interim payment application) and the annual pre-financing paid from the amount chargeable to the Funds (or the EMFF): 170 € (c1) – 198,9 € (b1) – 20 € (a1) = - 48,9 €

As the calculation of the balance results in a negative amount, it will be subject to a recovery order issued by the Commission that will be executed, where possible, by offsetting against amounts due to the Member State under subsequent payments to the same programme, including annual pre-financing.

9. EXAMINATION AND ACCEPTANCE OF ACCOUNTS

By 31 May of the year following the end of the accounting year, the Commission shall, in accordance with Article 63(8) FR and Articles 84 and 139 CPR, apply the procedures for the examination and acceptance of the accounts. For this purpose, the Commission adopts a decision accepting the programme accounts or alternatively informs the Member State via SFC2014 where it is not able to accept the programme accounts. To simplify the process, the Commission decision on the acceptance of accounts can cover several programmes per Member State as well as the ETC programmes for which the Managing Authority is located in the same Member State.

If, for reasons attributable to the Member State, the Commission is unable to accept the accounts by this deadline, it shall - in accordance with Article 139(4) CPR - notify the Member State specifying the reasons and the actions that are required to be undertaken and the time period for their completion. At the end of the period for the completion of those actions, the Commission shall inform the Member State as to whether it is able to accept the accounts.

In the context of the examination process, exchanges between the services of the Commission and the authorities in charge of the programmes may take place on an informal or formal basis depending on the issues at stake. Following the examination, corrections requested at the initiative of the Commission will give rise to a formal request.

As indicated in CIR, a version will be assigned to each set of accounts submitted by the Member State. In the framework of the procedures described above, it might be required to submit a slightly revised version of the accounts by the CA. Therefore, it is important to keep an audit trail of the versions submitted to the Commission.

Where the Commission, following the contradictory exchange with the Member State referred to in Article 139(4) CPR, is still unable to accept the accounts, it has to determine, on the basis of the available information, the amount chargeable to the Funds or the EMFF for the accounting year and shall inform the Member State (Article 139(8) CPR).

- Where the Member State notifies the Commission of its agreement within two months of the transmission by the Commission of the information, the Commission shall calculate the balance of the accounts as described in section 8 above.

- In the absence of such agreement, the Commission shall adopt a decision setting out the amount chargeable to the Funds (or the EMFF) for the accounting year. Such decision shall not constitute a financial correction and shall not reduce support from the Funds (or the EMFF) to the programme. On the basis of the decision, the Commission shall calculate the balance of the accounts as described in section 8 above.

Following the adoption of the decision either accepting the programme accounts or setting out the amount chargeable to the Funds (or the EMFF) for the accounting year, the Commission will initiate the resulting financial transactions for each Member State and programme concerned.