Interreg programmes exchange on

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

Interact / 25.01.2023

Interact

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Meeting
objectives

a) To discuss the description of the management and control system in 2021-2027;
b) to provide a summary of changes and observations to the template;
c) to share experiences of programmes that have already started working with the document;
d) to (hopefully) answer all your questions and concerns ☺

25 January 2023
09.30 – 12.15

A high number of participants (ca 200) <> interactivity

Working
agreements

a) Please stay muted unless talking
b) Please turn your cameras on
c) Rename yourself (indicate programme too)
d) Chat is disabled
e) Questions policy – Slido only
f) Meeting is recorded (for internal purposes only, will not be published anywhere)

Agenda

01	**02**	**03**	**04**	**05**
Welcome and Introduction	Legal framework for the description of the MCS	First observations from Interreg programmes + Q&A	A deeper look into the template – comparison and points of attention + Q&A	Wrap-up and closure

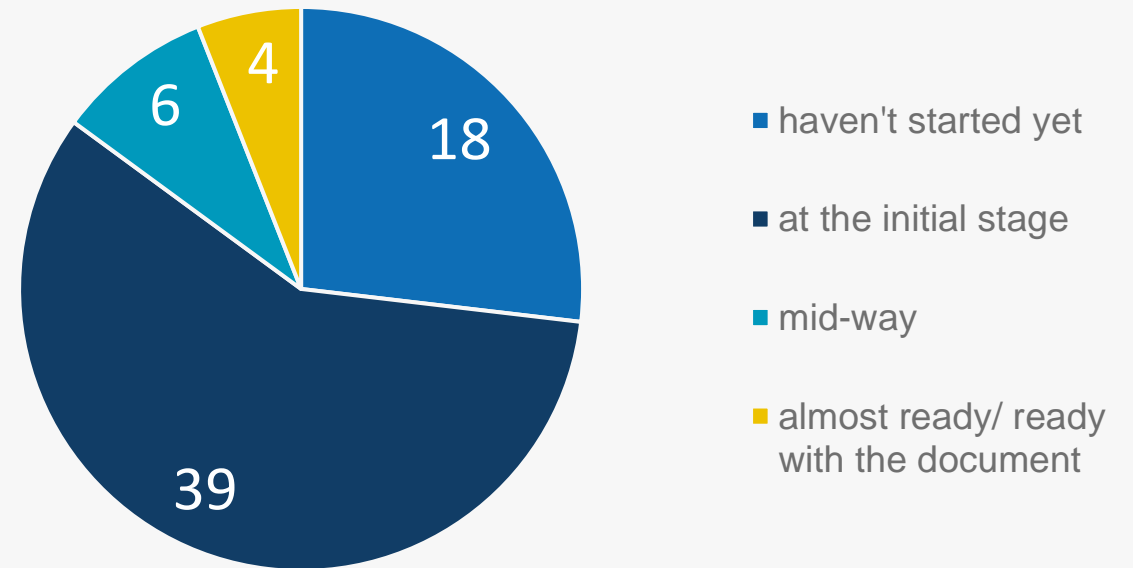# Feedback from registrations

67

programmes

registered for the event

- 37 Interreg V-A
- 10 TN
- 3 INT
- 9 IPA-CBC
- 6 ENI/Next programmes
- UIA, PEACE

How far are you with the description of the management and control system for your programme?

- haven't started yet
- at the initial stage
- mid-way
- almost ready/ ready with the document
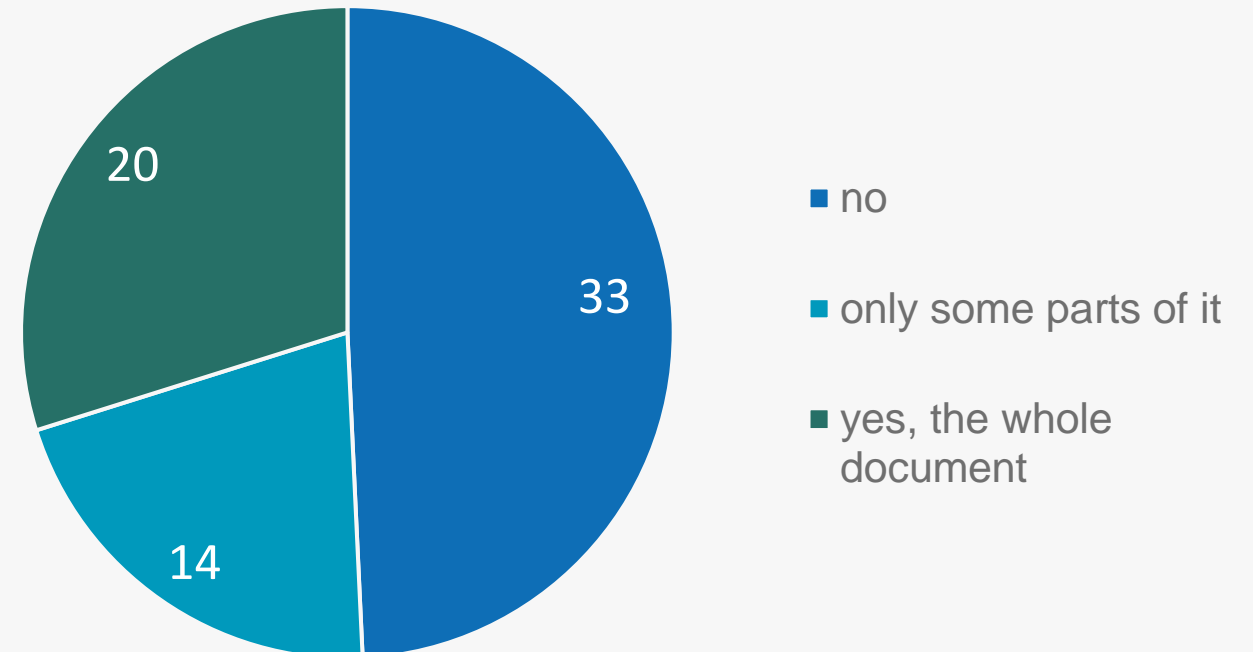
Feedback from **registrations**

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Are you going to have the description of the MCS approved by your MC/ JMC?

- no
- only some parts of it
- yes, the whole document

Feedback from registrations

Questions sent in advance

- Well received!

- Will be addressed during today's event – answers are embedded in the general introductory part and in the section dedicated to chapters of the template

- Follow-up – a written Q&A document will be available after the event (with questions asked in advance and during the event) at our programme's website + along with all presentations and files shared during the event).

Key legal framework

- Article 69 CPR – Responsibilities of Member States

  (point (11) - a deadline for the description of the MCS to be in place)

- Annex XVI CPR – Template for the description of the MCS

- Annex XI CPR – Key requirements of management and control systems and their classification (Article 69(1) CPR)

- Methodological note for the assessment of the management and control systems in the MS, draft (June 2021) – expected in Q1 2023.

What is the description of the management and control system?

A description of the management and control system is a key document with a description of the programme's procedures, tasks and functions of programme bodies to ensure a smooth programme and project implementation. It covers:

- programme structures;

- the functions of each body involved in the management and control, incl. division of functions between and within each body;

- procedures for how the work is organised (workflows, processes, internal divisions); what procedures apply and when; tasks; planned resources to be allocated.

CPR, Title VI – Management and control (responsibilities of MS, EC's powers and responsibilities, programme authorities)

Standard MCS (Articles 72 – 82 CPR) – functions of the MA, selection of operations by the MA, programme management of the MA, support of the work of the MC by the MA, the accounting function, functions of the AA, audit strategy, audit of operations, single audit arrangements, management verifications and audit of FI, availability of documents.

When should the document be ready?

Article 69 CPR – Responsibilities of Member States

(11) 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. It shall keep that description updated to reflect any subsequent modifications.

Q: What does it mean in practice? What happens if the deadline is not observed?

The deadline specified in CPR is **at the latest by 30 June 2023**. The deadline is strict and has to be respected. The audit can take place in 2024. The rationale of having a DMCS is not necessarily to have something to audit, the rationale is to have a system in place as soon as possible. The consequences of not having a system "up and running" in time can prove to be serious for the Programme (including decommitment).

Methodological note on the assessment of the MCS, draft

- Primarily for the AA (to perform their system audit) but also for the MA when drafting the description of the MCS

- System audit of the MCS – early in the programme implementation

- Reduced no of key requirements in 2021-2027: KR1-10 – for MA/ body performing accounting function, KR11-15 – for AA + criteria for each key requirement

- AA submits with each accounting year (15 Feb N+1) **opinion (among others) on the functioning of the MCS:**

  - category 1 – works well;

  - category 2 – works, some improvements are needed;

  - category 3 – works partially, substantial improvements are needed;

  - category 4 – essentially doesn't work.

Key requirements of management and control systems, Annex XI CPR

Table 1 - Key requirements of management and control systems

		Bodies/authorities concerned
1	Appropriate separation of functions and written arrangements for reporting, supervising and monitoring of delegated tasks to an intermediate body	Managing authority
2	Appropriate criteria and procedures for the selection of operations	Managing authority[1]
3	Appropriate information to beneficiaries on applicable conditions for support for the selected operations	Managing authority
4	Appropriate management verifications, including appropriate procedures for checking fulfilment of conditions for financing not linked to costs and for simplified cost options	Managing authority
5	Effective system to ensure that all documents necessary for the audit trail are held	Managing authority
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	Managing authority
7	Effective implementation of proportionate anti-fraud measures	Managing authority
8	Appropriate procedures for drawing up the management declaration	Managing authority
9	Appropriate procedures for confirming that the expenditure entered into the accounts is legal and regular	Managing authority
10	Appropriate procedures for drawing up and submission of payment applications and of accounts and confirming completeness, accuracy and veracity of the accounts	Managing authority/ 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	Audit authority
12	Appropriate system audits	Audit authority
13	Appropriate audits of operations	Audit authority
14	Appropriate audits of accounts	Audit authority
15	Appropriate procedures for providing a reliable audit opinion and for preparing the annual control report	Audit authority

KR2 – Monitoring/ Steering Committee – Article 22 of the Interreg Regulation

Essential key requirements

Essential key requirements with regard to the legality and regularity of expenditure and the proper functioning of the relevant authority (to determine serious deficiencies):

- for MA: **KR2** (selection of operations), **KR4** (management verifications), **KR5** (audit trail of documents), **KR9** (confirming legality and regularity of the expenditure in the accounts);

- for AA: **KR12** (system audits), **KR13** (audit of operations), and **KR15** (reliable audit opinion and preparation of ACR).

If one of the essential key requirements or two or more of the other key requirements for 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.

DMCS and audit strategy

Article 78 CPR – Audit strategy

(1) The audit authority shall, after consulting the managing authority, prepare an audit strategy based on a risk assessment, taking account of the management and control system description provided for in Article 69(11), covering system audits and audits of operations. <u>The audit strategy shall include system audits of newly identified managing authorities and authorities in charge of the accounting function. Such audits shall be carried out within 21 months of the decision approving the programme or the amendment of the programme identifying such an authority.</u> The audit strategy shall be prepared in accordance with the template set out in Annex XXII and shall be updated annually following the first annual control report and audit opinion provided to the Commission. It may cover one or more programmes.

Main Observations to the template

|	
Short and concise template	Structure is kept – 4 chapters: General; Managing authority; Body carrying out the accounting function; Electronic system.
Simplified template	Sub-headings are removed; sub-sections are merged or fully removed from the template.
However, potentially repetitive information in several places ...	For example, on the description of functions of authorities, organizational flow.

Attention points
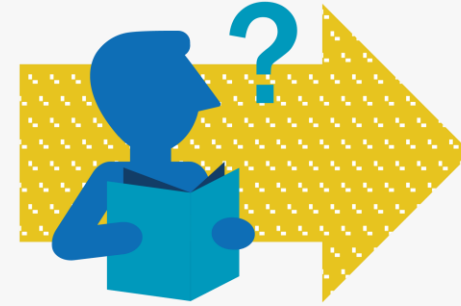
What is the expected level of detail for each chapter looking at the simplified structure of the document?

The document should describe procedures, tasks, functions of programme bodies. Simplification – no designation procedure in 2021-2027.

The elements provided in Annex XVI CPR should be addressed.

Essential elements to be covered, but avoid the document being overly detailed.

There is no requirement to include all detailed procedures in the DMCS. References to the respective documents are sufficient. However, all documents should be available for the purposes of the system audit done by the AA.

Attention points

Where do we have to describe internal procedures which have been removed from the template? For instance, the MA's risk management, anti-fraud strategy, systems and procedures to ensure adequate audit trail, etc.

There is no requirement to describe the risk assessment in the DMCS. However, Article 74(1) CPR - (c) have effective and proportionate anti-fraud measures and procedures in place, taking into account the risks identified – should be observed. Can be described in the internal procedures guide of the programme.

The DMCS includes some of the internal controls of the MA as specifically detailed by the template in Annex XVI CPR.

For the anti-fraud measures – don't have to be ready by the time DMCS has to be ready but should outline the procedure for putting in place effective and proportionate anti-fraud measures (timing of the fraud risk assessment, who will be responsible for carrying out the risk assessment, and who will be responsible for subsequently developing the necessary anti-fraud measures).

Attention points

Does the description need to be approved by the MC/ JMC?

No legal requirements to have the document approved by the MC/ JMC.

Programme-specific approaches either to have the whole document approved, some parts of the document (e.g., a methodology for the risk-based management verifications, project selection procedure, etc.), or not to approve the document.

Attention points

**Does the description need to be approved by the AA?**

The AA does not have a legal obligation to approve the description of the MCS.

What the AA is obliged to do is to perform a system audit of the management and control system (incl. on the newly identified MA and authorities in charge of the accounting function) and draw up and submit to the EC, among others, an opinion on the effective functioning of the MCS (every year, together with the assurance package) and an annual control report (including an analysis of the nature and the extent of errors and deficiencies in the systems as well as the proposed and implemented corrective actions).

MCS is a basis for the AA to draft the audit strategy and approach to system audit and audit of operations.

Experience from
Interreg programmes

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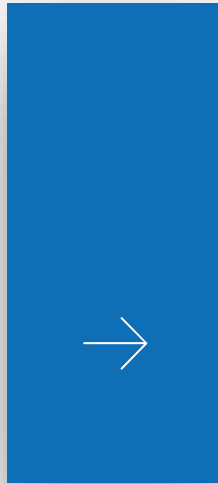
First observations
from Interreg programmes

1. ESPON, Ms Sara Ferrara

2. Interreg Bavaria – Austria, Ms Barbara Salamonsberger

Deeper look into the template

What's new?

Comparison of the templates for 2014-2020 and 2021-2027 and points of attention to the template for the DMCS in 2021-2027

Evaluation survey

Please fill in our evaluation survey.

Thank you very much in advance!

Cooperation works

All materials will be available on:

www.interact-eu.net