

MEMO

5/2016

To Raphael Scerri, Director General, Funds & Programmes Division
From Marilyn Grima, Senior Manager, Financial Control Unit
Date 11th February 2016
Subject Management Declaration Process – EMFF

Member States shall, from 2016 onwards, submit by 15 February each year a set of five documents which together form the so-called "assurance package":

- **Management declaration** confirming that (i) the information is properly presented, complete and accurate, (ii) the expenditure has been used for its intended purpose, and (iii) the control systems give the necessary guarantees concerning the legality and regularity of the underlying transactions;
 - **Annual summary** of the final audit reports and of controls carried out, including an analysis of the nature and extent of errors and weaknesses identified in the systems, as well as corrective action taken or planned;
 - **Annual control report and opinion** (on the accounts, the legality and regularity of the expenditure, the proper functioning of the management and control system), both prepared by the Audit Authority;
 - **Certified accounts** (prepared by the CA).
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Step 1 Preparation of Accounting Data

The CA shall provide the Commission with their **accounts** on the expenditure that was incurred, during the relevant reference period. Accounting year for EMFF covers the period from 1 July to 30 June, except for the first accounting year of the programming period, in respect of which it means the period from the start date for eligibility of expenditure, that is, 1 January 2014, until 30 June 2015. The final accounting year shall be from 1 July 2023 to 30 June 2024;

The MA is responsible for ensuring that reliable data is transmitted to the CA for the purpose of the preparation of the annual accounts but the ultimate responsibility to draw up the final accounts remains with the CA. The accounts shall include pre-financing and sums for which recovery procedures are underway or have been completed.

In line with Article 137 1303/2013, Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013, the accounts shall include:

- a. Total amount of eligible expenditure that have been included in the payment applications (till 31 July), total amount of the included public expenditure, and the total amount of payments done by MA at beneficiaries
- b. Amounts withdrawn and recovered during the accounting year, amount to be recovered at the end of the accounting year, the recoveries pursuant to Art 71 and the irrecoverable amounts
- c. Amounts of programme contributions paid to financial instruments and the amounts advances made on state aid
- d. For each priority, a reconciliation between the expenditure stated pursuant to point (a) and the expenditure declared in respect of the same accounting year in payment applications, accompanied by an explanation of any differences

Step 2 **Preparation of Management Declaration by the Financial Control Unit (Funds & Programmes Division)** accompanying the accounts + accompanying report including the **annual summary** of the final audit reports and of controls carried out.

The MA is required to draw up a management declaration and an annual summary in accordance with points (a) and (b) of Article 59(5) of the Financial Regulation and Article 125(4)(e) of the CPR. The management declaration and the annual summary issued by the MA are intended to strengthen internal control at Member State level for the implementation of ESIF and reinforce the chain of accountability in the shared management process.

On SFC by completing Step 1 and Step 2, Annexes 1-3 are compiled

Step 3 **Audit opinion** accompanying the documents above + annual control report supporting the audit opinion by AA – Annex IV on SFC

AA opinions can only be made after the accounts are validated in SFC and signed by the RA

AA gives 3 opinions or no opinion

- On the accounts, on the management and control system and the declaration
- The opinions may be unqualified, qualified or adverse
- qualified or adverse opinions may include amounts that are affected.

Return to the MA

Step 4 **FCU enables button 'Ready to Send' and the full process is complete**

By **31 May** the Commission informs the MS whether it accepts that the accounts are complete, accurate, accurate and true after having examined the documentation provided and after having requested information for clarification purposes as the need arises.

In the case of an unqualified opinion by the AA + the Commission has no information contradicting the audit opinion, the Commission accepts the accounts, calculates the annual balance, clears the annual pre-financing and treats any legality and regularity issues.

In the case of a qualified (modified) opinion, the Commission examines the reasons for the qualified audit opinion determining how these affect the accounts and the action to be taken; the Commission notifies the MS of actions to be undertaken and additional action is taken. If action is not adequate, a financial correction procedure may be possible.

First Accounting Year State of Play – 1 January 2014 – 30 June 2015

Given that for the first accounting year ending 30 June 2015 (EMFF 2014 – 2020), no operations were approved, no payments were made and no expenditure was declared by the beneficiaries or to the Commission, the Certifying Authority did not need to submit the accounts.

Given that to date the MA has not been designated, there was no need to submit a management declaration.

Notwithstanding this, the AA still uploaded via SFC the Annual Control Report and Annual Opinion / Disclaimer of Opinion claiming nil accounts.
