

MEMO

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

Introduction

The purpose of this Memo is to summarize the salient points of *EGESIF_15_0018-02 Guidance for Member States on Preparation, Examination and Acceptance of Accounts* which gives guidance to Member States on how to submit the accounts to the Commission and guidance on the preparation, submission, examination and acceptance and follow-up of the accounts. The Guidance applies to all ESIF except for EAFRD and contains information on amounts to be entered in the accounting system of the CA, guidance on amount of programme contributions paid to financial instruments and advances paid in the context of state aid.

New provisions in the 2014-2020 period on the examination and acceptance of accounts

The key new elements for the 2014-2020 programming period are:

- a. A twelve-month accounting year running from 1 July to 30 June
- b. Retention of 10% of EU interim payment calculated on the basis of Member State payment applications – an additional safeguard for protecting the EU budget
- c. Submission by each programme of certified accounts for expenditure declared to the Commission during the accounting year
- d. Submission to the Commission of the ‘assurance package’ including management declaration, annual summary, audit opinion and control report
- e. Reimbursement or recovery of annual balance, following acceptance of accounts by the Commission

By February following the end of the accounting year, the accounting cycle is complete both through the management declaration by the MAs and audits by the AAs. 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 MS. **The payment or recovery of the final balance is made only after this assessment is finalised and the accounts are accepted.**

General Issues

Even though the MS 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 July and 31 July in line with Art 135(2) and 2(29) CPR. 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. In addition, the final interim payment application may be the only interim application transmitted to the Commission to cover the accounting year.**

The CA is responsible for drawing up the accounts and certifying their completeness, accuracy and veracity of the accounts and that the expenditure entered in the accounts complies with the 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. Accounts are to be submitted by 15 February n+1 and the final accounting year shall be from 1 July 2023 to 30 June 2024. The accounting year is the reference period for the accounts and the assurance documents and is different from the financial year for the Commission accounts which corresponds with the period 1 January – 31 December.

| Accounting Years | – | Deadline for payment annual pre-financing | Deadline for final interim payment | Deadline for submission of accounts | Pre-financing cleared |
|-----------------------|---|---|------------------------------------|-------------------------------------|---|
| 1/1/2014 30/6/2015 | – | NIL | 1/7/15 – 31/7/15 | 15/2/2016 | NIL |
| 1/7/2015 30/6/2016 | – | 1/7/2016 | 1/7/16 – 31/7/16 | 15/2/2017 | 2016 annual pre-financing cleared by 31/05/17 |
| 1/7/2016 30/6/2017 | – | 1/7/2017 | 1/7/17 – 31/7/17 | 15/2/2018 | 2017 annual pre-financing cleared by 31/05/18 |
| 1/7/2017 30/6/2018 | – | 1/7/2018 | 1/7/18 – 31/7/18 | 15/2/2019 | 2018 annual pre-financing cleared by 31/05/19 |
| 1/7/2018 30/6/2019 | – | 1/7/2019 | 1/7/19 – 31/7/19 | 15/2/2020 | 2019 annual pre-financing cleared by 31/05/20 |
| 1/7/2019 30/6/2020 | – | 1/7/2020 | 1/7/20 – 31/7/20 | 15/2/2021 | 2020 annual pre-financing cleared by 31/05/21 |
| 1/7/2020 30/6/2021 | – | 1/7/2021 | 1/7/21 – 31/7/21 | 15/2/2022 | 2021 annual pre-financing cleared by 31/05/22 |
| 1/7/2021 30/6/2022 | – | 1/7/2022 | 1/7/22 – 31/7/22 | 15/2/2023 | 2022 annual pre-financing cleared by 31/05/23 |
| 1/7/2022 30/6/2023 | – | 1/7/2023 | 1/7/23 – 31/7/23 | 15/2/2024 | 2023 annual pre-financing cleared by 31/05/24 |
| 1/7/2023 30/6/2024 | – | NIL | 1/7/24 – 31/7/24 | 15/2/2025 | NIL |

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.

Amounts entered into the accounting year of the CA

The model of the accounts mirrors the model of the final interim payment application of the accounting year concerned.

| 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 – Column A | Total amount of the corresponding public expenditure incurred in implementing operations – Column B | Total amount of corresponding payments made to beneficiaries – Column C |
|----------|---|---|---|
| | | | |

Column A any expenditure subject to an ongoing assessment of legality and regularity should be deducted from the accounts as should also be deducted amounts of irregular expenditure resulting from audit work and from adjustments made by the MA / CA. If after the submission of the accounts of accounting year N, irregularities are detected on expenditure declared in previous accounts then there is the possibility of withdrawing the irregular expenditure from a next interim payment application or to leave the expenditure certified in previous amounts, pending the outcome of the recovery procedure.

Hence, **Column A contains the total amount of eligible expenditure entered in 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 and the amounts reported in this column should be equal or less to the corresponding amount declared under the final interim payment.

Column B contains the total amount of the corresponding public expenditure incurred in implementing operations (public expenditure is defined in Art 2(15) CPR as any public contribution to the financing of operations the source of which is the budget of national, regional or local public authorities, the budget of the Union related to the ESI Funds, the budget of public law bodies or the budget of associations of public authorities or of public law bodies and, for the purpose of determining the co-financing rate for ESF programmes or priorities, may include any financial resources collectively contributed by employers and workers)

The amounts in Column B should be equal or lower than the amount requested in Column A and also equal or less than to the corresponding amount declared under the final interim payment (Column C).

Column C contains the total amount of corresponding payments made to beneficiaries (both EU and national co-financing) in compliance with the 90-days provision. This payment deadline may only be interrupted if there are pending management verifications or an investigation has been initiated in relation to a possible irregularity affecting the expenditure concerned.

Reconciliation of Expenditure

(generated automatically by SFC on the basis of the final interim payment)

Total eligible expenditure included in payment applications submitted to the Commission

A Total amount of eligible expenditure incurred by beneficiaries and paid in implementing operations

B Total amount of public expenditure incurred in implementing operations

Expenditure declared in accordance with Article 137(1) a of Regulation 1303/2013

C 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

D Total amount of the corresponding public expenditure incurred in implementing operations

Difference **E = A – C**

F = B – D

Columns A & B the total eligible expenditure included in the interim payment applications submitted to the Commission; as the interim payment applications are cumulative in the accounting year, this data should match with the amounts in the final interim payment application (columns B and C)

Columns C & D 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; column D contains the total amount of the corresponding public expenditure incurred in implementing operations;

Columns E & F the differences between expenditure declared in the final interim payment application of the accounting year (A & B) and the expenditure certified in the accounts (C & D) may result mainly from deductions resulting from audit work and further management verifications after the end of the accounting year. The adjustments should be negative corrections thus reducing the

expenditure declared under the final interim payment. Positive adjustments should be corrected in a subsequent interim payment application and not in the accounts.

Submission of the accounts

Consistency checks between documents - given different documents are prepared by different entities it is important that consistency checks are performed ahead of their submission and national procedures should be established to ensure this coordination. It is recommended that internal deadlines are set for the transmission of the draft accounts to the AA so that the AA will have sufficient time for its review to issue its opinion.

Transitional provisions for late adoption of programmes or late designation of authorities - since the MA has not been designated by 15 February 2016 neither the final application for interim payment nor accounts are required for the first accounting year. Similarly the management declaration and annual summary were not required. Yet the annual control report and the audit opinion were still required.

Consequences in case of non-submission of the accounts or one of the appendices – this may result in a later settlement of the final balance for that given accounting year. In addition, the authorising officer may interrupt the payment deadline for an interim payment application if there is a failure to submit one of the documents requested.

Calculating the annual balance

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 EMFF will be calculated using the co-financing rate in force at the date of the submission of the final interim payment application. 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 EMFF.

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 and such recoveries will not constitute a financial correction and will not reduce support from 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 MS under subsequent payments to the same programme.

Examination and acceptance of accounts

By 31 May of $n + 1$ year, the Commission applies the procedures for the examination and acceptance of the accounts and it informs the MS whether it is able to accept the accounts. If for reasons attributable to the MS, the Commission is unable to accept the accounts by the deadline, it shall notify the MS 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 MS as to whether it is able to accept the accounts.
