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From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

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To: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

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Subject: ANNEX to the COMMISSION DELEGATED REGULATION (EU) No .../...
of XXX supplementing Regulation (EU) No 514/2014 with regard to the
designation and management and control responsibilities of Responsible
Authorities and with regard to status and obligations of Audit Authorities

Delegations will find attached document C(2014) 5136 final ANNEX.

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ANNEX 1

ANNEX

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of XXX

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ANNEX I

Designation criteria for the Responsible Authority

1. INTERNAL ENVIRONMENT

(A) Organisational structure

- (1) Organisational structure allowing the Responsible Authority to execute its tasks set out in Article 4.
- (2) Organisational structure, defined in an organisation chart, which shows a clear assignment of roles and responsibilities.

(B) Human resources standards

- (1) Appropriate human resources to carry out the tasks described in Article 4.
- (2) Segregation of duties so that no member of staff has responsibility for more than one of authorising, paying or accounting for sums charged to the national programme, and no member of staff performs one of those tasks without being supervised by a second member of staff.
- (3) Written definition of the responsibilities of each member of staff, including limits on his or her financial authority.
- (4) Appropriate staff training.
- (5) Procedures to avoid conflicts of interest, including where a member of staff occupying a position of responsibility or a sensitive position with regard to verification, authorisation, payment and accounting of claims also fulfils other functions outside the Responsible Authority.

2. CONTROL ACTIVITIES

(A) Selection of projects

- (1) Procedures regarding the selection and award of grants in accordance with Article 9.
- (2) Procedures regarding the content and signature of grant agreements and administrative decisions in accordance with Articles 10 and 11.

(B) Procedures for administrative and on-the-spot controls

- (1) Procedures for informing the management of the Responsible Authority at an appropriate level, on a regular and timely basis of the results of controls carried out, in order to allow for the revision of the control strategy and internal control procedures when systemic deficiencies are identified or as needed.
- (2) Description of the sampling method used when administrative or on-the-spot controls are not exhaustive but performed on a sample basis, and a procedure to report discrepancies and irregularities.
- (3) Where documents (in paper or electronic form) relating to the controls carried out on financial claims are retained by other bodies, procedures set up by those bodies and the Responsible Authority to ensure that the Responsible Authority has access to these documents.

(C) Procedures for authorising payment of financial claims submitted by a beneficiary

- (1) Procedures to ensure the monitoring of the implementation of grant agreements, administrative decisions and contracts according to the contractual terms and conditions.
- (2) Procedures for the receipt, recording and processing of financial claims submitted by a beneficiary, defining notably the description of the documents to be used and the procedure for reviewing the work carried out.
- (3) Checklist of the verifications required by each member of staff responsible for authorisation, including a review of the work carried out.
- (4) Procedure for authorising payment, including verifying compliance with Union and national rules and including the checks required by Articles 5(2) and 27 of Regulation (EU) No 514/2014 to prevent and detect fraud and irregularity with particular regard to the risks faced.

(D) Procedures for payment

- (1) Procedures to ensure that payments are made only to bank accounts belonging to the beneficiary and that no payments are made in cash.
- (2) Procedures to ensure that all payments for which transfers are not executed are re-credited to the budget of the national programme.

(E) Procedures for accounting

- (1) Accounting procedures to ensure that annual accounts are complete, accurate and timely, and that any errors or omissions are detected and corrected, in particular through periodic controls and reconciliations.

(F) Procedures for advance payments

- (1) Procedures to ensure that payments of advances to beneficiaries are separately identified in the accounting records.
- (2) Procedures to ensure that advances are cleared within the stipulated time limits and those overdue for clearing are identified.

(G) Procedures for debts

- (1) Procedures to ensure that the criteria provided for in points (A) to (D) apply, *mutatis mutandis*, to amounts which the Responsible Authority is required to recover in accordance with Article 21(h) of Regulation (EU) No 514/2014.
- (2) Procedures to ensure proper follow-up on recovery orders issued and, if applicable, on default interest.
- (3) Procedures to ensure that if recovery cannot be made, the cause is identified, so as to evaluate whether the Member State should reimburse the Union Budget.
- (4) System for recognising all amounts due and for recording all such debts prior to their receipt in a debtor's ledger.
- (5) Procedures to ensure that this debtor's ledger is verified at regular intervals to ensure its reliability and completeness.

(H) Procedures for detection of irregularities and anti-fraud

- (1) Definitions of irregularities in compliance with Union requirements.
- (2) Mechanisms to ensure that irregularities can be detected in a timely manner and that immediate corrective measure can be taken.
- (3) Procedures for putting in place proportionate anti-fraud measures.
- (4) Procedures to ensure that the Commission is kept informed of irregularities detected and, if appropriate, of any corrective measures taken in the annual accounts.

(I) Audit trail

- (1) Procedure to ensure an adequate audit trail in accordance with the implementing Regulation adopted on the basis of Article 27(5) of Regulation (EU) No 514/2014, by providing documentary evidence, to be held on the premises of the Responsible Authority, relating to the selection of projects, the authorisation, accounting and payment of financial claims submitted by a beneficiary and the handling of advances and debts.

3. INTERNAL INFORMATION AND COMMUNICATION

(A) Communication

- (1) Procedures to ensure that:
 - (1) all changes in Union legislation are recorded;
 - (2) instructions, databases and checklists are updated to reflect these in a timely manner; and
 - (3) all interested parties, such as the Delegated Authority, are informed of these changes in a timely manner.
- (2) Procedures to ensure that all beneficiaries have the necessary information to carry out their tasks and implement operations.
- (3) Procedures to ensure adequate *ex post* information on the results of the selection process is provided to applicants.

(B) Information systems security

- (1) Security of the information system(s) used is in line with the most recent internationally accepted standards.
- (2) Procedures to ensure that financial and technological measures are in proportion to the risks.

4. INTERNAL MONITORING AND REPORTING

(A) Internal documents and reports

- (1) Documented procedures and corresponding checklists to be completed in order to:
 - (1) support the work of the monitoring committee referred to in Article 12(4) of Regulation (EU) No 514/2014 and provide it with the information it requires to carry out its tasks, in particular data relating to the national programme's progress towards meeting its objectives, financial data and data relating to indicators and milestones;
 - (2) draw up annual and final implementation reports and to submit these to the Commission;
 - (3) draw up the documents constituting the request for payment of the annual balance referred to in Article 44 of Regulation (EU) No 514/2014
 - (4) ensure that senior management is provided with all necessary reports and information to effectively monitor the implementation of the programmes that it is responsible for; and

- (5) ensure that senior management is provided with the reports from independent assessments or audits on the functioning of their systems.
- (6) Documented procedures for reporting and monitoring, if the Responsible Authority has entrusted the execution of tasks to another body.

(B) Monitoring of other tasks not carried out by the authorities themselves

- (1) Where bodies are acting under the responsibility of the Responsible Authority, with the exclusion of delegated authorities, procedures to ensure that supervisory mechanisms are in place to ensure sound financial management.
- (2) Where control activities are outsourced, procedures to ensure that supervisory mechanisms are in place to ensure a common control methodology and consistency of the work.
- (3) Where the Responsible Authority delegates activities, procedures to ensure that Article 5(4) of this Regulation is complied with.