



Technical support to the implementation and management of ENI CBC programmes

Guide to programme accounts, audit and reporting to the European Commission in ENI CBC programmes

Legal framework, standards, practices, tips and recommendations

Update December 2020

DISCLAIMER

This **non-binding document** has been developed by the TESIM project.

It does not necessarily reflect the views of the European Commission on the topic, and is presented to programme practitioners **for illustrative purposes only**.

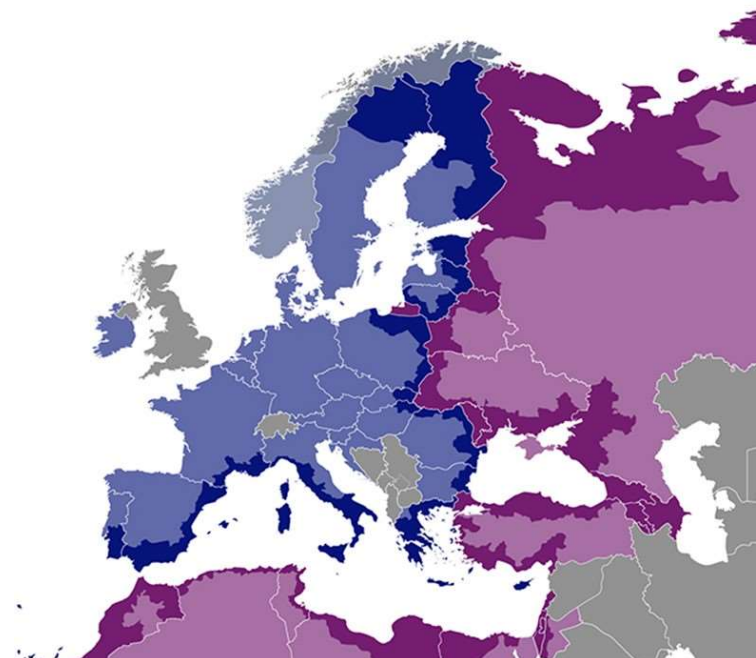


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What's new in this update of the guide

The management of the ENI CBC programmes was transferred from DG NEAR to DG REGIO in January 2020. This updated version keeps the relevant information from the previous one with three main novelties:

- a new Financial Regulation (FR)¹ has been published. There are no significant changes for ENI CBC programmes, but the references have been updated
- the development of templates for financial report by NEAR, with a further adaptation from DG REGIO²,
- some indications on audit opinion required by DG REGIO.

The guide is now complemented by two notes in annex:

- note on audit opinion
- note on how to fill-in the financial part of the annual report

¹ EC Regulation 2018/1046

² No template had been developed by EC at the moment of publishing the first version of this guide in 2017



1. Aim of this guide

The **preparation, auditing and reporting of programme accounts** are a key tool component of the management and control systems (MCS), which were developed at the beginning of the current programming period.

There are specific requirements in the ENI CBC Implementing Rules³ (ENI CBC IRs) and in the FR, but they do not cover all the principles and criteria applicable to a proper setting and management of programme accounts. That is why internationally accepted standards also apply, some of which have been recently adopted by the European Commission (EC).

Therefore, using this legal framework and standards, this updated document aims at supporting the **ENI CBC Managing Authorities** (MAs) in the effective functioning of the procedures and accounting systems leading to ensuring compliant programme accounts. In addition, the guidance describes the audit of accounts by the **ENI CBC Audit Authorities** (AAs), since this process is crucial to confirm that the accounts of the programme give a true and fair view⁴. Considering this double-fold approach, single sections in this document may have different relevance for MAs and AAs. It is nevertheless suggested that both bodies have a shared understanding of the framework in which the work of the ones and the others has to be carried out.

The document describes the above-mentioned standards and relevant practices in similar cross-border cooperation EU instruments. The guidance notes from other similar instruments may be an additional source of inspiration, but may very seldom be applied *mutatis mutandis* to ENI CBC.

On top of the key messages indicated throughout the different sections, this guidance includes some tips and recommendations.

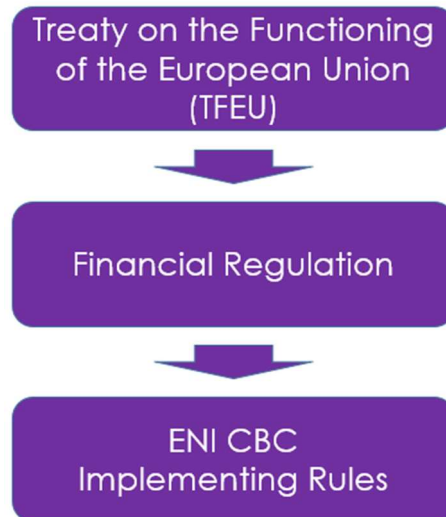
³ EC Regulation 897/2014

⁴ **True** suggests that the financial statements are factually correct and have been prepared according to applicable reporting framework such and they do not contain any material misstatements. **Fair** implies that the financial statements present the information faithfully without any element of bias and they reflect the economic substance of transactions rather than just their legal form.



2. Definitions and legal framework for accounts and audit

The applicable provisions for programme accounts and audit of the MAs, being **designated bodies** which use ENI CBC funds under **shared management**, are defined in the main following legal acts:



2.1. Provisions in the Treaty of Functioning of the European Union (TFEU)

Article 287 of the TFEU establishes the right of the European Court of Auditors (ECA) to examine the accounts of all revenue and expenditure of the Union, including those of any body or agency managing them on behalf of the Union. The criteria used by the ECA need to be used by the MAs, as the programme accounts are subject to its control.

Some basic elements may be found in this article:

- The ECA shall issue a statement of **assurance** as to the **reliability** of the accounts and the **legality** and **regularity** of the underlying transactions,
- The ECA shall examine whether all revenue has been received and all expenditure incurred in a lawful manner and whether the **financial management** has been **sound**,
- The **audit of revenue** shall be carried out on the basis both of the **amounts established** and the **amounts actually received**,
- The **audit of expenditure** shall be carried out on the basis both of **commitments** undertaken and **payments made**.

These principles are logically found in the FR and the ENI CBC IRs. We can also remark the need to use **accrual accounting**, so that the audit can be performed as described.

2.2. Requirements in the Financial Regulation

The FR includes provisions related to accounting, record keeping, payment authorisation and other financial procedures for programmes under shared management, which therefore affect ENI CBC programmes.

The main relevant articles for the purpose of this document are:

Article	Content
63	Shared management
80	Accounting rules
81	Organisation of accounts
82	Keeping of accounts
83	Content and keeping of budget accounts
84	General accounts

2.2.1. Obligations on accounts and audit deriving from shared management

Shared management with Member States is mainly regulated in article 63 of the FR. Article 63.4 (c) stipulates that the designated body shall “use an **accounting system** that provides **accurate, complete and reliable** information in a timely manner”. Article 63.5 indicates:

Bodies designated [...] shall, by 15 February of the following financial year, provide the Commission with:

- (a) their **accounts** on the expenditure that was incurred, during the relevant reference period as defined in **the sector-specific rules**, in the execution of their tasks and that was presented to the Commission for reimbursement.
- (b) an **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 systems, as well as corrective action taken or planned.

Article 63.6 stipulates:

The **accounts** referred to in point (a) of subparagraph 5 shall include pre-financing and sums for which recovery procedures are underway or have been completed. They shall be accompanied by a management declaration confirming that, in the opinion of those in charge of the management of the funds:

- (a) the information is properly presented, complete and accurate;
- (b) the expenditure was used for its intended purpose, as defined in the sector-specific rules;
- (c) the control systems put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions;

Finally, article 63.7 stipulates that:

The account [...] and the summary referred to in point (b) of the first subparagraph shall be accompanied by an opinion of an independent audit body, drawn up in accordance with internationally accepted audit standards. That opinion shall establish whether the accounts give a true and fair view, whether expenditure for which reimbursement has been requested from the Commission is legal and regular, and whether the control systems put in place function properly. The opinion shall also state whether the audit work puts in doubt the assertions made in the management declaration [...].

These requirements have been included in the sector-specific rules, that is, in the ENI CBC Implementing Rules.

2.2.2. Accounting provisions

The Financial Regulation describes the accounting provisions for the institutions financed by the EU budget, distinguishing two main categories of accounts:

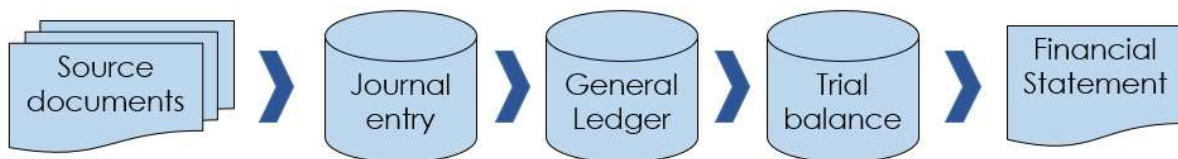
- General accounts;
- Budgetary accounts.

The **general accounts**, which are the basis for the financial statements, shall adopt rules based on **internationally accepted standards**, while the **budgetary accounts** shall respect the **principles laid down in the Regulation**, as stipulated in article 83. The applicable international standards on accounting adopted by the European Union are described in chapter 3 of this document.

2.2.3. The general accounts

“The general accounts shall record, in chronological order using the double-entry method, **all events and operations** which affect the economic and financial situation and the assets and liabilities of the institutions [...]” (article 84).

We can summarize the process as follows:



“The accounting system shall be as such as to leave a clear audit trail for all accounting entries”.

2.2.4. Budgetary accounting

While the general accounting will provide the financial situation of the programme, the budgetary accounting “shall provide a detailed record of the **implementation of the budget**”, both revenue and expenditure. We will see the specificities and a proposed “**accounting plan**” for ENI CBC in chapter 4 of this document.

Article 83 of the FR details the type of information to be kept in the budget accounts, including:

- Appropriations for expenditure (authorized, used and available)
- Commitments and payments, including clearance
- Revenue (estimated, assigned and received)

The budget accounts may be organized in such a way as to develop a cost accounting system (e.g., per thematic objective and priority for projects; by programme body and authority for technical assistance).

2.3. Requirements in the ENI CBC Implementing Rules

The ENI CBC IRs, (i.e., the applicable sector-specific Regulation), includes also provisions related to programme accounts. The relevant articles are:

Article	Content
2	Definition of accounting year
26	MA functions, including accounting obligations and related computerized systems
36	Eligibility of technical assistance costs
68	Presentation of accounts and audit opinion
69	Acceptance of accounts
70	Period for record-keeping

Let's see them in detail:

Article 2 (t): '**accounting year**' means the period from **1 July to 30 June**, except for the first accounting year, in respect of which it means the period from the start date for eligibility of expenditure until 30 June 2015. The final accounting year shall be from 1 July 2023 to 30 September 2024.

2.3.1. Functions of the Managing Authority related to accounting

Article 26.2 of the ENI CBC IRs stipulates the minimum requirements for the computerized accounting system:

- (d) establish and maintain a **computerised system** (...). The system shall provide all data required for drawing up **payment requests** and **annual accounts**, including records of **amounts recoverable**, **amounts recovered** and **amounts reduced following cancellation** of all or part of the contribution for a project or programme.

While article 26.5 describes the functions related to financial management:

- (g) draw up the **annual accounts**;
- (i) maintain **computerised accounting records** for expenditure declared to the Commission and for payments made to beneficiaries;
- (j) keep an **account of amounts recoverable** and of **amounts reduced** following cancellation of all or part of the grant

2.3.2. Eligibility of technical assistance costs

Article 36.1:

- **Eligibility requirements** set out in Article 48 apply *mutatis mutandis* to technical assistance costs.
- **Costs concerning officials of the participating countries** assigned to the programme may be considered **eligible as technical assistance costs**. Parallel remuneration systems and topping ups shall be avoided.
- Costs referred to in Article 49 shall not be considered eligible as technical assistance costs.

Like in the period 2007-2013, the eligibility requirements applied for technical assistance are the same as for the projects.

The costs of the officials are also eligible, as it was in the previous period. However, the combination of article 36.1 and article 13.2, which stipulates that "*Within each programme the participating countries shall be free to determine the source, amount and distribution of co-financing*", makes a significant difference.

Some programmes have decided to use the staff costs of the officials working at the Managing Authority – other than those covered by EU funds - as co-financing for the programme. Therefore, this cost will be included in the programme accounts.

Details on which accounting categories to use are developed in chapter 4 of this document.

2.3.3. Presentation of accounts

The presentation of accounts is described in article 68, which includes some accounting requirements and the detail of the annual report and the audit opinion, which will be tackled in chapters 5 and 6 of this document.

Article 68.1 focusses on the need of separate independent accounting for the programme and the usefulness of setting up **analytical accounting**, in line with article 245 of RAP, as previously mentioned:

1. *The accounts of the programme shall be drawn up by the Managing Authority. These accounts shall be **independent** and **separate** and shall include only*

transactions relating to the programme. They shall be kept in such a way as to enable **analytical monitoring of the programme by priority and technical assistance**.

Article 68.3 (a) details which information needs to be kept at **analytical level**, while the information required in 68.3 (b) should be obtained either from the balance sheet or from extra-accounting information in the MIS:

3. The accounts [...] shall include at the level of each priority and technical assistance:
 - (a) the **expenditure incurred and paid** and **the revenue earned** and received by the Managing Authority;
 - (b) the **amounts waived and recovered** during the accounting year, the **amounts to be recovered** by the end of the accounting year and the **unrecoverable amounts**.

2.3.4. Acceptance of accounts

Article 69 describes the procedure and deadlines for the acceptance of the accounts to be submitted by the 15th February of each year:

1. The Commission shall **examine** the accounts and **inform** the Managing Authority by **31 May of the year** following the end of the accounting year whether it accepts that the accounts are complete, accurate and true.
2. On the basis of eligible expenditure incurred, as certified by the audit opinion [...], the Commission shall **clear the pre-financing**.
3. **Acceptance** of the accounts shall be **without prejudice to any subsequent financial corrections** [...].

The same way that the programme does with the projects, the **acceptance of the programme accounts leads to a clearance of the pre-financing** payments received from the European Commission.

Programme accounting needs to record in an adequate way the clearance process, so that the balance sheet may show at any time the non-cleared amount of pre-financing (either pending acceptance or pending declaration of expenditure in future accounting years).

2.3.5. Record keeping

Article 70 of the ENI CBC IR stipulates that:

1. The Managing Authority and the beneficiaries shall **keep all documents** related to the programme or a project for **five years from the date of payment of the**

balance for the programme. In particular, they shall keep reports, supporting documents, as well as accounts, accounting documents and any other document relating to the financing of the programme (including all documents relating to the contract award) and projects.

2. Notwithstanding paragraph 1, records pertaining to audits, appeals, litigation or pursuit of claims arising from the programme or project performance shall be retained until such audits, appeals, litigation or claims have been completed.

- Both at programme and project level records and supporting documents need to be kept until at least **end of 2029**.
- The MA needs to **include this provision in all contracts** (both for technical assistance and for projects) and **inform** all concerned stakeholders about the **date of reception of the balance payment from EC**.

2.4. Summary of legal provisions

In summary, the different applicable regulations contain the following provisions on accounts and audit:

TFEU	FR	ENI CBC IR
<ul style="list-style-type: none"> • Features for audit of accounts 	<ul style="list-style-type: none"> • Obligations from shared management • Structure of accounts • Principles & standards • General and budgetary accounts 	<ul style="list-style-type: none"> • Accounting year • MA functions • Eligibility of TA funds • Presentation and acceptance of accounts • Record keeping

The main difference from the previous period is a consequence of the requirements for bodies designated under shared management, which need to stick to the requirements of both the TFEU and the FR, on top of the specific

provisions in ENI CBC. Therefore, the accounting system and reporting have to adapt to these conditions.

Based on this legal framework, the use of international standards both for accounting and audit becomes compulsory, as it is for the set up and implementation of the management and control systems. The most relevant ones are described in chapter 3.



3. Applicable international standards for accounting and audit

3.1. International Public Sector Accounting Standards

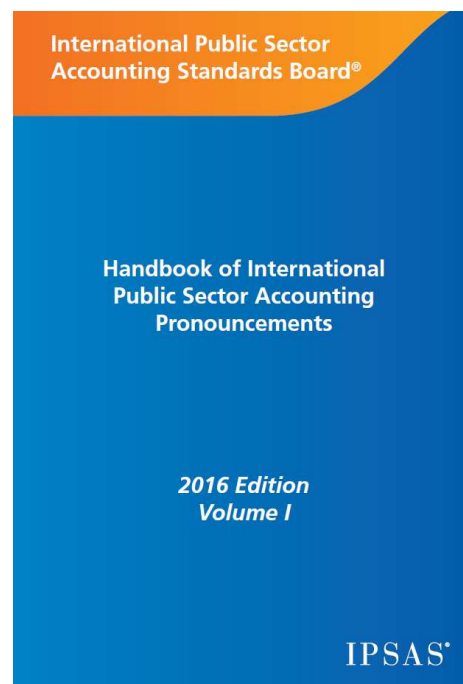
The EC has adopted new rules, which are based on:

- a) the International Public Sector Accounting Standards (IPSAS), and,
- b) for accounting transactions that are not yet covered by IPSAS, the relevant International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

The international body responsible for these standards is IFAC, whose International Public Sector Accounting Standards Board (IPSASB) is in charge of developing them. The documents may be found in the following website: <https://www.ipsasb.org/>.

The “*Handbook of International Public Sector Accounting Pronouncements*” brings together the official text of the standards and other publications issued by IPSASB.

The IPSAS are designed “*to apply to the general purpose, financial reports of all public entities, both for **accountability** purposes and **decision-making** purposes*”.



3.2. International Standards on Audit

Article 28.4 of the ENI CBC IRs stipulates that “the Audit Authority shall ensure that the audit work complies with internationally accepted auditing standards”.

The International Standards for Auditing (ISA) are a set of systematic guidelines used by auditors, ensuring accuracy, consistency and verifiability of auditors' actions and reports. They are issued by IFAC's International Auditing and Assurance Standards Board (IAASB).

A non-exhaustive list of standards, which may be used in ENI CBC, is the following⁵:

ISA reference	Content of the standard
ISA 200	Overall objective of audit
ISA 220	Quality control for audit work
ISA 230	Audit documentation
ISA 240	The auditor's responsibility to consider fraud in an audit of financial statements
ISA 250	Consideration of laws and regulations in an audit of financial statement
ISA 300	Planning an audit of financial statements
ISA 315	Understanding the entity and its environment and assessing the risk of material misstatement
ISA 320	Materiality in planning and performing an audit
ISA 450	Evaluation of misstatements identified during the audit
ISA 500	Audit evidence
ISA 530	Audit sampling
ISA 600	The use of the work of other auditors
ISA 620	Using the work of an Auditor's Expert

⁵ Among this indicative list of standards, it is up to the professional judgment of the AA to decide which ones it will actually follow.

ISA 700	Forming an audit opinion
ISA 705	Modifications to the opinion in the independent auditor's report
ISA 706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report

All these standards may be downloaded free of charge from IFAC's website: <http://www.iaasb.org/publications-resources>.

The auditor should consult the ISA and get familiar with the issues covered by them. It is his/her responsibility to fully comply with all relevant ISA and to identify the standards relevant for each particular audit. Therefore, this guide gives only some general indications on a couple of them.

3.2.1. Overall objective of audit (ISA 200)

The ISA 200 is the foundation of the other standards, and deals with the independent auditor's overall responsibilities when conducting an audit of financial statements in accordance with ISAs. Specifically, it sets out:

- the **overall objectives** of the independent auditor,
- the **nature and scope of an audit** designed to enable the independent auditor to meet those objectives,
- the scope, authority and structure of the ISAs,
- the **general responsibilities of the independent auditor** applicable in all audits.

It stipulates that the **purpose** of an **audit** is **to enhance the degree of confidence** of intended users in the financial statements.

This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

The auditor's **opinion is on whether the financial statements are presented fairly, in all material respects, or give a true and fair view in accordance with the framework**. An audit conducted in accordance with ISAs and relevant ethical requirements enables the auditor to form that opinion.

3.2.2. Forming an opinion (ISA 700)

This standard deals with the auditor’s responsibility to form an opinion on the financial statements. The objectives of the auditor are:

- (a) To form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence obtained; and
- (b) To express clearly that opinion through a written report that also describes the basis for that opinion.

The auditor shall form an opinion on whether the financial statements are prepared, **in all material respects**, in accordance with the applicable financial reporting framework.

In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained **reasonable assurance** about whether the financial statements as a whole are **free from material misstatement**, whether due to fraud or error.

Therefore, the key concepts are “**materiality**” and “**reasonable assurance**”:

<p>Materiality is the threshold (or cut-off point). If detected errors, individually or combined, exceed it, the auditor needs to qualify its opinion, that is, the auditor cannot issue a clean opinion.</p> <p>The European Court of Auditors stipulates 2% as materiality threshold.</p>	<p>Reasonable assurance is obtained when the auditor gets sufficient and appropriate audit evidence to reduce audit risk to an acceptably low level, as absolute assurance is not possible. A detailed description on how to build assurance is included in TESIM’s guide on audit strategy</p>
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3.3. International Standards of Supreme Audit Institutions

The International Standards of Supreme Audit Institutions (ISSAI) framework, formally established in 2007, reflects the ambition of the international Organisation of Supreme Audit Institutions (INTOSAI) to provide its membership and other interested parties with a framework of professional high-quality auditing standards. Pronouncements issued by INTOSAI are included in the



ISSAI framework as either ISSAIs or INTOSAI GOVs (INTOSAI Guidance for Good Governance).

ISSAI includes practice notes on how to apply ISA standards. Some of these ISSAI standards are explicitly mentioned in the EGESIF guide on audit strategy and may be used for the audit of accounts, such as:

- ISSAI 4100 on the factors to be taken when defining materiality;
- ISSAI 1320 on materiality in planning and performing an audit;
- ISSAI 1450 on evaluation of misstatements identified during the audit.

These standards can be downloaded at http://www.issai.org/en_us/site-issai/



4. Programme accounts

The ENI CBC IRs give good indication on the information to be submitted. We find two types of accounting information requested in article 68 of ENI CBC IR:

- A statement of income and expenditure, including the expenditure incurred and paid and the income (revenue) earned and received by the MA;
- Additional financial information on amounts to be found in the balance sheet, in particular, *“the amounts waived and recovered during the accounting year, the amounts to be recovered by the end of the accounting year and the unrecoverable amounts.”*

4.1. The statement of income and expenditure

The global overview of the statement of income and expenditure following the requirements of both the FR and the ENI CBC IR would be:

INCOME			
Budget items	Estimated	Assigned (earned)	Received
EU financing for projects	0,00	0,00	0,00
Co-financing from projects	0,00	0,00	0,00
Co-financing from the participating countries to projects at programme level	0,00	0,00	0,00
EU financing for Technical Assistance	0,00	0,00	0,00
Co-financing from the participating countries to Technical Assistance	0,00	0,00	0,00
Other income	0,00	0,00	0,00
Total	0,00	0,00	0,00

EXPENDITURE			
Budget items	Committed	Accrued (accepted)	Paid
Technical assistance costs	0,00	0,00	0,00
Accepted expenditure declared by project beneficiaries	0,00	0,00	0,00
Waived amount from recoveries	0,00	0,00	0,00
Unsuccessful recoveries in CBC Partner Countries	0,00	0,00	0,00
Total	0,00	0,00	0,00

4.1.1. The income

The most important budget items of the income are the ones corresponding to **projects**:

- **EU grant** corresponding to the expenditure declared by project lead beneficiaries on behalf of all project beneficiaries and accepted by the MA;
- **Co-financing from projects** of the expenditure declared and accepted. This co-financing may be own contribution, but also contributions from the participating countries directly transferred by them to the projects or other categories of co-financing indicated in article 183 of RAP (excluding in-kind contributions).

The addition of these two items will obviously be identical to the total amount of project expenditure declared and accepted, which will be found in the table for expenditure.

An exception to this correspondence will be produced when the **participating countries contribute at programme level** and projects receive the grant as a pool of EU funding and countries' contribution⁶. In this case, the expenditure declared and accepted will match with the addition of the three budget items.

Concerning the **technical assistance**, we may find two budget items:

- **EU financing of the technical assistance** and
- **Co-financing from the participating countries** to the technical assistance. This contribution is usually provided by the Member State hosting the MA, as the EU funding may not cover the whole cost of the staff working in the programme bodies. There may be also contribution from other participating countries.

Additionally, the programmes might have **interest earned from the pre-financing received**. However, the interest earned from the pre-financing from the EU funding is not due, in accordance with article 8.4 of the Financial Regulation, and does not have to be reported to the EC. Regarding the interest from the pre-financing from other sources, it is up to the MA to decide how this interest shall be treated⁷.

⁶ Co-financing within the meaning of article 9.1 of the ENI CBC IRs.

⁷ The same principle should apply mutatis mutandis to the projects financed by the programmes.



4.1.2. The expenditure

As in the case of the income, the main budget item for expenditure will be the one related to **projects**. The statement of income and expenditure should include the expenditure declared by the lead beneficiaries and accepted by the MA, with a **breakdown by priority**, as indicated in article 68 of ENI CBC IRs.

Nevertheless, the **programme should also have records of the initially declared expenditure and the amount considered ineligible**, either at the moment of processing the payment claim, or at a later stage as a consequence of additional controls performed by the MA, the AA or any competent body.

Other minor but important budget items related to projects are:

- **Amounts waived** in accordance with article 75.2 of the ENI CBC IRs;
- The **amount of unsuccessful recoveries in CBC Partner Countries** from organisations not covered by the financial liability clause of the Financing Agreements⁸

Finally, we will find the **technical assistance costs**, with the categories indicated in article 36 of the ENI CBC IR, that is, *mutatis mutandis* the ones for projects indicated in article 48:



4.1.3. The template

DG NEAR developed a template in 2018, which has been recently updated by DG REGIO. The template responds both to the requirements of article 68 of the ENI CBC IR and the needs of the EC for clearance and audit.

⁸ A clarification note was issued by EC on the 23rd May 2016 indicating who would bear responsibility for these organization not covered by the Financing Agreement: "In an exceptional situation where the MA or the Commission, despite all possible measures taken, cannot recover the unduly paid funds, neither from the lead beneficiary nor from the concerned beneficiary the unrecovered funds will unfortunately be lost for the programme."

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A note on how to fill-in the template can be found as an annex to this document.

5. Reporting to the European Commission

As already indicated, the main legal source for the financial information to be included in the annual report is article 68 of the ENI CBC IRs. The annual report shall be submitted by 15th February to the Commission and shall include the following financial information:

- the accounts of the preceding accounting year (see previous section);
- an audit opinion of the annual accounts;
- a management declaration;
- an annual summary of controls carried out by the Managing Authority;
- an annual audit report;
- an estimate of costs incurred from 1st July to 31st December of the preceding natural year;
- the list of projects closed during the accounting year.

On top of the template mentioned in the previous section, other documents must be prepared in accordance with article 68 of the ENI CBC IR

Who should prepare them?



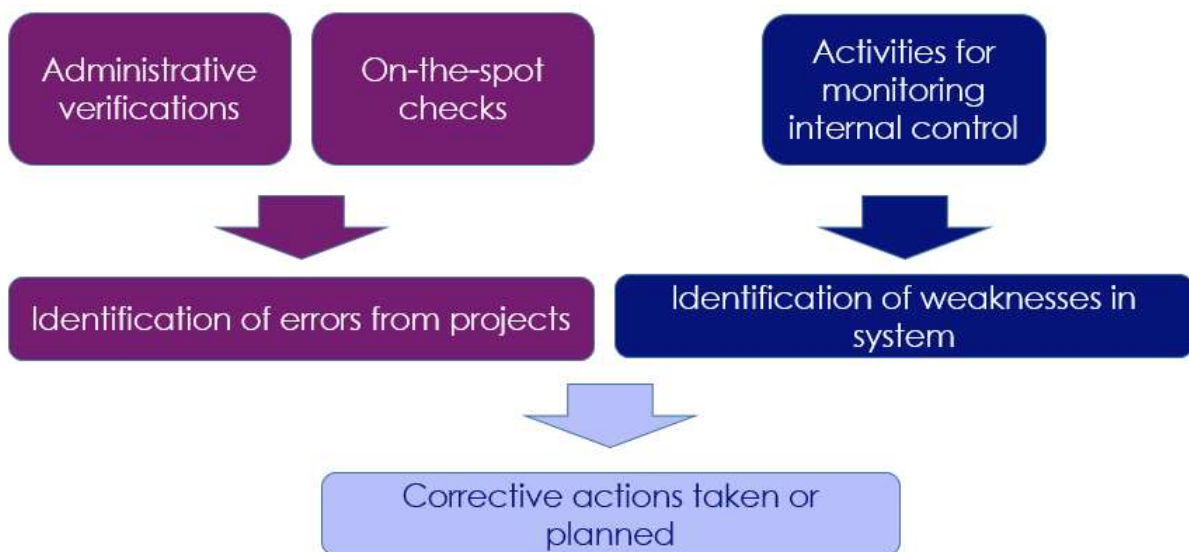
The accounts have been described in the previous section and the audit issues will be tackled in the next, so this section will focus on the remaining ones.

5.1. Summary of controls by the MA

This is one of the three pillars for the signature of the management declaration. The ENI CBC IRs include significant changes with the previous period on this issue, due to the revision of functions of the MA as a consequence of the institution of an AA.

Article 68.2(c) requires that the annual summary of the controls carried out by the MA includes an analysis of the nature and extent of errors and weaknesses identified in systems, as well as corrective actions taken or planned. The work carried out in preparation of the summary should be adequately documented.

The following chart shows the minimum content of this summary, with the type of controls to be carried out by the MA and the conclusions:



Taking into account the potential liabilities for the participating countries stipulated in article 74.3 of the ENI CBC IR, this document becomes very important. Errors do not only have to be identified, but also corrected. The corrective actions may lead to changes in some procedures of the MCS.

So far, there is no format or outline provided by the EC on how to present this summary of controls carried out by the MA.

Finally, we need to remark that the **approach for the summary is different than in the Structural Funds**, where there is one joint summary for audits and controls,



while in ENI CBC, there is one summary of controls, prepared by the MA and a separate summary of audits, prepared by the AA. However, some elements of the EGESIF “*Guidance on Management Declaration and Annual Summary*” may be a source of inspiration.

5.1.1. Analysis of the nature and extent of errors and weaknesses identified

This section of the summary of controls should:

- Identify the problems with a systemic character and related recommendations;
- Indicate the estimated financial and operational impact of errors and weaknesses.

In the case of the MA monitoring of internal control, the analysis should refer to the key controls ensuring that the cornerstones of the management and control systems work adequately, taking into account the minimum requirements of the designation criteria in the ENI CBC IR. TESIM’s guidance notes on management and control systems and compliance assessment may be a source of inspiration, as well as the “*Common methodology for assessment of management and control systems*” from EGESIF.

The analysis needs to include a description of the main results arising from the administrative verifications and the on-the-spot checks, including a list of the main types of errors detected. The MA should indicate whether the errors detected are of systemic nature or individual. Taking into account that the audit of accounts will assess whether the accounts give a fair and true view, the MA should diligently assess all errors detected and accordingly conclude on their nature. Failure to identify the problems properly might lead to further issues when the accounts will be audited.

5.1.2. Corrective actions taken or planned

The summary of controls will also include:

- The list of corrective measures for the identified weaknesses and their state of implementation;
- The follow up of the recommendations issued by the JMC, the MA staff responsible for monitoring the internal control or competent internal



audit unit, the Audit Authority, the European Commission or any other competent body.

The **corrective measures to improve the functioning of the management and control systems** must be such to prevent the repetition of the identified systemic weaknesses and/or errors. The **corrective measures to address irregularities, fraud and corruption** with financial impact detected must result in financial corrections applied on the expenditure declared, either by the beneficiaries to the MA or, if already done, by the MA to the European Commission. Finally, the **corrective measures related to accounts** must result in the necessary accounting adjustments.

5.2. Management declaration

Article 68.2(b) of the ENI CBC IR stipulates that “a management declaration signed by the representative of the MA confirming that:

- (i) The information is properly presented, complete and accurate;
- (ii) The expenditure was used for the intended purpose;
- (iii) The control systems put in place give the necessary guarantee concerning the legality of the underlying transactions.”

The EGESIF “Guidance on Management Declaration and Annual Summary” may also be a source of inspiration in this case, as it gives answer to the requirement in article 59.6 of the FR. Nevertheless, the regulations applicable for Structural Funds programmes require additional information to the minimum stipulated in this article of the FR, whereas the ENI CBC IRs do not. Therefore, this guide only takes into account the compulsory requirements for ENI CBC.

The **main goal of the management declaration is to increase the accountability** of the MA in ensuring the programme implementation, in accordance with the principles of sound financial management, and in order to ensure the legality and regularity of the underlying transactions.

The declaration should be based in the controls carried out by the MA, which are summarized in the document described in the previous section. The work carried out in the preparation of the declaration should be adequately documented.

A proposed **model for the declaration** may be found in Annex 1 of this guide. The model is an adaptation to the specificities of ENI CBC of the model for Structural Funds included in annex VI of EC Regulation 2015/207.

5.2.1. Confirmation that the information is properly presented, complete and accurate

This confirmation should be based on a thorough assessment of all information obtained by the MA when fulfilling its financial and control responsibilities in accordance with article 26 of the ENI CBC IR. These functions include, *inter alia*:

- Carrying out administrative verifications on payment claims submitted by beneficiaries;
- Regularly updating the accounting records in the computerized system;
- Transferring pre-financing and balance payments of the grants awarded to projects;
- Managing the technical assistance funds;
- Drawing up the annual accounts.

This confirmation aims at certifying the completeness, accuracy and veracity of the accounts.

5.2.2. Confirmation that the expenditure was used for its intended purpose

The expenditure entered in the accounts is deemed to be used for its intended purpose when the projects underlying it:

- allow for the achievement of the global objectives set at the level of the JOP;
- allow for the achievement of the thematic objectives and priorities indicated in the JOP under which the projects are selected;
- are compliant with the provisions of the grant contracts signed with the beneficiaries.

In order to provide the confirmation, the MA needs to set up a robust system to verify and monitor the performance of the programme and the projects and, in particular, should consider to confirm at least:

- that the operations selected are effectively in line with the selection criteria and are linked to the intervention logic under each thematic objective and priority;



- that the projects bring a real cross-border added-value;
- that the geographical location of the projects is within the eligible areas defined in the JOP;
- that the type of beneficiaries falls under the eligible categories, as defined by the JOP and, where relevant, the call for proposals;
- that the projects are sustainable and are maintained for a minimum period after completion⁹;
- that only the costs which are eligible for co-financing are included in payment claims.

5.2.3. Confirmation that the control systems put in place give the necessary guarantee concerning the legality of the underlying transactions

This confirmation shall be provided based on a robust assessment of the management and control system as a result of the monitoring carried out by the MA. It is based in the documented procedures, verifications and evaluations performed to ascertain that the components of internal control exist and function¹⁰. The checks should consider at least:

- that the management and control systems have not significantly changed as compared to the description underlying the designation of the MA;
- that the coordination and inter-relation among all programme bodies and authorities has been carried out in conformity with the description of the management and control systems and the JOP;
- that national procedures, including those derived from the Financing Agreements with CBC Partner Countries are being implemented adequately;
- that the key controls identified in the description of the management and control system work adequately and the system is effectively functioning;
- the existence of a reliable computerized system, as required by the ENI CBC IR;

⁹ Article 39.3 of ENI CBC IRs stipulates that "Any project including an infrastructure component shall repay the Union contribution if, within five years of the project closure or within the period of time set out in state aid rules, where applicable, it is subject to a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives."

¹⁰ Designation criterion no 5 in the annex of ENI CBC IRs.



- that the observation of the JMC regarding the implementation and evaluation of the JOP have been followed;
- that the annual report contains all the technical and financial information required;
- that appropriate action has been taken in respect of findings and recommendations from Audit Authority, European Commission or any other competent body;
- that the irregularities, fraud and corruption cases found have been adequately treated and there are no cases which require further disclosure;
- that the procedures for system changes, exceptions to procedures, non-compliance events and internal control weaknesses have been applied properly.



6. Audit of accounts

Audit of accounts is the responsibility of the AA and article 68.2 (d) of the ENI CBC IRs stipulates that the annual report of the programme shall include “**an audit opinion on the annual accounts**”, which is a separate document from the annual audit report.

Article 68.4 stipulates that

*“the audit opinion (...) shall establish whether the **accounts give a true and fair view**, the **related transactions are legal and regular** and the **control systems properly put in place function**. The opinion shall also state whether the audit work puts in doubt the assertions made in the **management declaration** referred (...)”.*

Therefore, the opinion cannot only be based on a pure financial check of the accounts, but also need to take into account the **systems audit** and the **audit on operations**. To this end, cross-references could be made to the relevant sections of the annual audit report required by article 68.2 (e) of the ENI CBC IRs.

True and fair view in auditing means that the financial statements are free from material misstatements and faithfully represent the financial performance and position of the entity.

6.1. Types of audit opinions

There are four types of audit opinion:

- **Unqualified opinion:** the auditor has no reservations concerning the financial statements. This is also known as a **clean opinion**, meaning that the financial statements appear to be presented fairly.
- **Qualified opinion:** This means that the auditor has taken **exception** to certain current-period accounting applications or is **unable to establish** the potential **outcome of a material uncertainty**.
- **Disclaimer opinion:** this is a special type of audit report that should be issued when the auditor permits his or her name to be associated with financial statements that were not examined in accordance with generally accepted auditing standards.

- **Adverse opinion:** this is a type of audit opinion which states that the financial statements do not fairly present the financial position, results of operations, and changes in financial position, in conformity with generally accepted accounting principles.

For the purpose of its opinion, the AA will analyse the material impact of any adjustment to be made into the accounts. The threshold of **2%** may be taken *mutatis mutandis* the European Court of Auditors, as the **materiality level**.

6.2. Forming an opinion

Please refer to the **ISA 700 standard** mentioned in section 3.2.2 on how to **form an opinion**.

From a methodological point of view, and taking into consideration the necessary adaptations due to the different legal framework, the guides prepared for Structural Funds may be a good source of inspiration, in particular:

- Guidance for Member States on Audit of Accounts (EGESIF_15_0016-02)
- Guidance Management declaration and Annual Summary for Member States (EGESIF_15_0008-01)
- Guidance for Member States on the Annual Control Report and Audit Opinion to be reported by audit authorities and on the treatment of errors detected by audit authorities in view of establishing and reporting reliable total residual error rates (EGESIF 15-0002-04)

A note on the adaptation of the EGESIF templates to the legal requirements of the ENI CBC IR can be found as an annex to this document.

7. Conclusions

Some conclusions on programme accounting and audit:

- Shared management and the ENI CBC IR bring **new obligations on accounting** for programmes;
- **International standards on public sector accounting** have been adopted by EC and they are compulsory according to the FR;
- **The content of programme accounts defined in the ENI CBC IRs** are based on reporting purposes, but the **accounting system needs to go beyond** it to be complete and provide financial statements meeting the requirements of the international standards and the FR;
- **Preparing the management declaration is a key task** for the preparation of the annual accounts and report;
- **Audit Authority also needs to use the applicable international standards, as well as the guidance documents for EGESIF**, for the performance of the audit work and the issue of an audit opinion on accounts, which will include the check of the work carried out for the preparation of the management declaration;

A key goal of the accounting system is to provide true and fair view on the programme accounts (confirmed by a **clean audit opinion**), which allows EC to perform the annual clearances on solid ground.



8. Annexes

8.1. Note on how to fill-in the template of the financial report

8.2. Note on audit opinion





Technical support to the implementation
and management of ENI CBC programmes

How to fill-in the programme's annual financial report

Note on the use of the template issued in 2020

December 2020

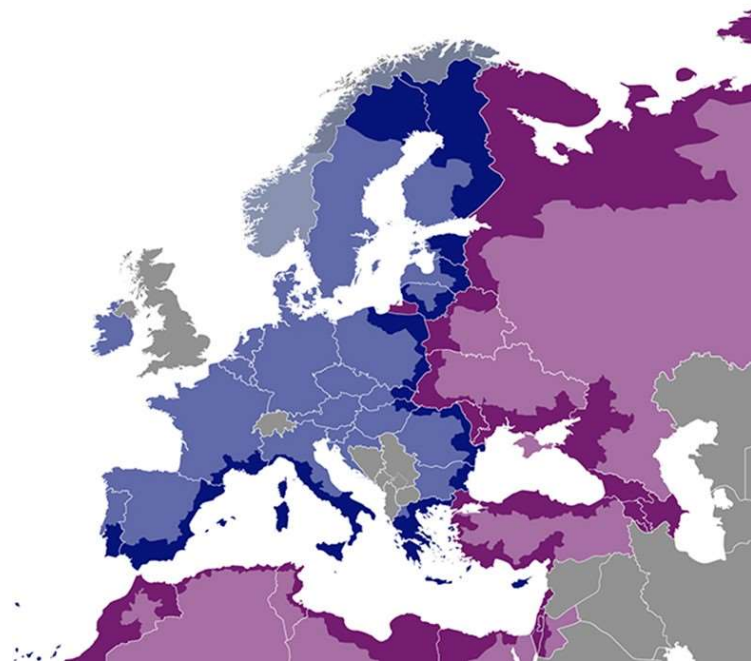


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Introduction

The transfer of ENI CBC programmes to DG REGIO made it necessary to adapt the reporting templates to its internal procedures. The financial part of the annual report has been significantly simplified to better respond to the needs of both the programme bodies and the European Commission (EC). On top of the simplification of several tables, the revised template includes improved footnotes and some additional tables allowing for an easy verification of the amount of the clearance requested to EC.

The present note describes the financial report in detail, so that the content of the different tables fully corresponds to the information required. The aim is to facilitate the preparation of the report by the managing authorities and, at the same time, reduce the need for clarifications during the revision process by EC.

This note is structured as the template in the Excel file, that is:

1. Overview of the programme implementation
2. Projects
3. Technical assistance



1. Overview of programme implementation

1.1. Provisional budget for the following two accounting years

The table in this worksheet responds to the requirement of article 60 of the ENI CBC Implementing Rules (hereinafter ENI CBC IR):

*Each financial year, once the Managing Authority has been notified of the annual commitment, it may request as prefinancing the transfer of up to 80 % of the Union contribution for the financial year in question. From the second financial year, requests for prefinancing shall be accompanied by the **provisional budget** detailing the Managing Authority's **commitments and payments for the two accounting years following the latest audit opinion referred to in Article 68**. After reviewing that provisional budget, assessing actual financing needs of the programme and verifying the availability of funds, the Commission shall proceed with the payment of all or part of the requested prefinancing no later than 60 days after the date on which the payment request is registered with the Commission.*

Moreover, as required by article 68.1 and 68.3, the amounts must be aggregated by **priority**, with indication of which thematic objective corresponds to each priority.

COMMITMENTS [EUR]*				
		1st following accounting year	2nd following accounting year	
	Amount COMMITTED by 30/06/YY ^[1]	Amount to be COMMITTED 01/07/YY to 30/06/YY +1 ^[2]	Amount to be COMMITTED 01/07/YY+1 to 30/06/YY+2 ^[3]	Total amount to be COMMITTED 4 ¹
PROJECTS	0,00	0,00	0,00	0,00
Priority [insert name / number for priority]				0,00
Priority [insert name / number for priority]				0,00
Priority [insert name / number for priority]				0,00
Priority [insert name / number for priority]				0,00
Priority [insert name / number for priority]				0,00
Technical Assistance				0,00
TOTAL	0,00	0,00	0,00	0,00
PAYMENTS [EUR]**				
		1st following accounting year	2nd following accounting year	
	Amount PAID from the beginning of implementation by 30/06/yyyy ^{[1]**}	Amount to be PAID 01/07/YY to 30/06/YY +1 ^{[2]**}	Amount to be PAID 01/07/YY+1 to 30/06/YY+2 ^{[3]**}	Cumulative amount to be PAID ^{[4]**}
PROJECTS	0,00	0,00	0,00	0,00
Priority [insert name / number for priority]				0,00
Priority [insert name / number for priority]				0,00
Priority [insert name / number for priority]				0,00
Priority [insert name / number for priority]				0,00
Priority [insert name / number for priority]				0,00
Technical Assistance				0,00
TOTAL	0,00	0,00	0,00	0,00

The key definitions for this table are:

- **Commitments** refers to the total **contracted** amounts, both for projects and technical assistance, including **EU share, non-EU share AND co-financing by project beneficiaries**,
- **Payments** refers to all types of transfers **of the programme funds** to project beneficiaries and contractors (in the case of Technical Assistance), including any advance payment.

1.2. Payments from the European Commission

This table includes all the payments received by the Managing Authority (MA) from the EC, both during the current accounting period and the previous periods, with an addition of the figures giving the cumulated amount since the beginning of the programme implementation.

Description of the item	Date of receipt	Amount [EUR]	Comments
CURRENT REPORTING PERIOD		0,00	
PREVIOUS REPORTING PERIODS		0,00	
	TOTAL	0,00	

1.3. Payments from participating countries at programme level

This table includes two types of receipts by the Managing Authority:

- **Co-financing transferred to MA by the participating countries for the projects.** This possibility only affects only the programmes with participation of the Russian Federation,
- **Co-financing of technical assistance** by the Member State hosting the MA or other participating countries.



As in the previous table, the data includes both the payments in the current reporting period and the one on the previous ones.

Description of the item	Date of receipt	Amount [EUR]	Comments
CURRENT REPORTING PERIOD		0,00	
PREVIOUS REPORTING PERIODS		0,00	
	TOTAL	0,00	

1.4. Reconciliation with the financial table of the JOP

This table gives a global overview of the commitments and expenditure of the programmes since the beginning of the implementation in comparison with the amounts planned in the JOP or in any later approved amendment.

The table does not take into account the advance payments and focus its attention in the absorption rate, both at commitments and expenditure level. Therefore, the amounts under the header “State of the programme implementation” must include the cumulative amounts since the beginning of the programme. As in table 1.1, the amounts committed include EU share AND non-EU share, including co-financing by project beneficiaries.

Columns C and H include the co-financing transferred to MA by the participating countries, that is, it must be filled-in only by the programmes with the Russian Federation and can be removed by the other ones. Any co-



financing at project level (including the one provided by the Member States, such as Romania, Italy or Greece), must be included in columns D and I.

	Planned in JOP					Latest Amended & Approved Budget (if applicable)					State of the programme implementation			
	EU-funding	Co-financing by [participating countries]*	Co-financing***	Co-financing rate (%)	Total funding	EU-funding (a)	Co-financing by [participating countries]*	Co-financing***	Co-financing rate (%)	Total funding	Total amounts contracted in the programme****	Share of the amounts contracted in the programme against the planned amount in the JOP/amended JOP (%)	Total expenditure incurred and paid in the programme****	Share of the expenditure incurred and paid in the programme against the planned amount in the JOP/amended JOP (%)
Projects	0,00	0,00	0,00	#DIV/0!	0,00	0,00	0,00	0,00	#DIV/0!	0,00	0,00	#DIV/0!	0,00	#DIV/0!
Priority [insert name / number for priority]				#DIV/0!	0,00				#DIV/0!	0,00	0,00	#DIV/0!	0,00	#DIV/0!
Priority [insert name / number for priority]				#DIV/0!	0,00				#DIV/0!	0,00	0,00	#DIV/0!	0,00	#DIV/0!
Priority [insert name / number for priority]				#DIV/0!	0,00				#DIV/0!	0,00	0,00	#DIV/0!	0,00	#DIV/0!
Priority [insert name / number for priority]				#DIV/0!	0,00				#DIV/0!	0,00	0,00	#DIV/0!	0,00	#DIV/0!
Priority [insert name / number for priority]				#DIV/0!	0,00				#DIV/0!	0,00	0,00	#DIV/0!	0,00	#DIV/0!
Technical assistance				#DIV/0!	0,00				#DIV/0!	0,00	0,00	#DIV/0!	0,00	#DIV/0!
Total	0,00	0,00	0,00	#DIV/0!	0,00	0,00	0,00	0,00	#DIV/0!	0,00	0,00	#DIV/0!	0,00	#DIV/0!

1.5. Information for clearing

This new worksheet is key for the approval of the annual report by EC, as it establishes the amount of the clearance to be performed. It is calculated automatically by **adding the eligible expenditure** from **worksheets 2.1 (Projects), 3.1 (Technical assistance)** and **subtracting** the amounts excluded from clearing due to financial corrections pending/decided after the end of the reporting year.

The amounts excluded from clearing refer to the financial corrections decided by MA or the identification of potential financial corrections by any relevant body (European Court of Auditors, EC, OLAF, AFCOS, counterparts of OLAF in partner countries, Audit Authority, MA or national authorities) after the end of the reporting year, but related to the expenditure of the reporting year. The potential financial corrections might have been identified at the moment of issuing the report, but the procedure for a decision by MA in accordance with article 71 of the ENI CBC IR may not be finalized.

EU funding for clearing in the CURRENT REPORTING PERIOD	A - Total eligible expenditure incurred and paid in the reporting period
Project expenditure	0,00
Technical assistance expenditure	0,00
MINUS	
Amount excluded from clearing <i>(financial corrections pending/decided related to the expenditure of the reporting period, but identified after the reporting period)</i>	0,00
TOTAL AMOUNT FOR CLEARING	0,00

The final amount for clearing must be indicated in the audit opinion, in accordance with article 69.2 of the ENI CBC IR. Therefore, this table will be finalized only after the work of the audit authority reaches a final conclusion.

2. Projects

2.1. Project expenditure and EU funding

Aggregated by priority, this table includes the amounts committed in the reporting period (not cumulated amounts as in tables 1.1. and 1.4.), with specification of both total amount and EU funding, as well as the total amount of eligible expenditure incurred and paid during the reporting period and the corresponding EU funding.

Three key aspects must be highlighted on the eligible amount:

1. The table must include expenditure accepted as eligible by the MA, that is, authorised after the administrative verifications,
2. Any financial correction decided during the accounting year for the amounts incurred in the same accounting year must be indicated in the corresponding table in worksheet 2.2. (the amounts in the table 2.1 MUST present **only eligible expenditure as confirmed by the MA with financial corrections already excluded**),
3. It may happen that a potential financial correction identified in previous reporting period results in an acceptance of the expenditure, instead of a financial correction thanks to the information and documentation analysed during the contradictory procedure. In this case, as the expenditure was provisionally excluded from the clearance by EC, it must be reintroduced as eligible expenditure of the reporting year in this table. The table does not distinguish which amounts have been declared and accepted by MA and which ones are originated by these situations.

2.1. PROJECTS (EU FUNDS)						
Thematic objective/Priorities	Total contracted amount in the reporting period [EUR]	EU funding [EUR]	EU funding %	Total eligible expenditure incurred and paid in the reporting period [EUR] *	EU funding [EUR]	EU funding %
Total	0,00	0,00	#DIV/0!	0,00	0,00	#DIV/0!
Priority [insert name / number for priority]			#DIV/0!			#DIV/0!
Priority [insert name / number for priority]			#DIV/0!			#DIV/0!
Priority [insert name / number for priority]			#DIV/0!			#DIV/0!
Priority [insert name / number for priority]			#DIV/0!			#DIV/0!

2.2. Other financial information related to projects and technical assistance

The tables in this worksheet include the information required by article 68.3 of the ENI CBC IR, that is, “the amounts waived and recovered during the accounting year, the amounts to be recovered by the end of the accounting year and the unrecoverable amounts”. It also includes other relevant information, in particular the financial corrections, the amounts excluded from clearing and the amounts related to investigations and legal proceedings.

Despite the numbering, these tables should include information not only about projects, but also about technical assistance.

2.2.1. Financial corrections

Article 71.1 stipulates that “Financial corrections shall be recorded in the annual accounts by the Managing Authority for the accounting year in which the cancellation is decided”. Therefore, the first table of this worksheets includes the list of financial corrections decided during the accounting year, regardless of the year where the expenditure was declared by the beneficiary.

These amounts must also be deducted from the contracted amounts, as article 71 specifies that they cannot be re-used by the projects.

LIST OF ALL FINANCIAL CORRECTIONS DECIDED IN THE ACCOUNTING YEAR				
Identification of project	Thematic objective / priority	Amount corrected, EU funds (EUR)	Date of the decision	Description of correction
		0		
		0		
		0		
...		0		
TOTAL AMOUNT CORRECTED		0		

This table includes any decision by MA on financial corrections, regardless of the year where the expenditure was accepted. Please note that the financial corrections are reported in this table, as the amounts in the table 2.1 MUST present **only eligible expenditure as confirmed by the MA** with financial corrections already excluded. All decisions must be taken before the end of the accounting year. Any decision taken later on is not included in this table.

2.2.2. Amounts excluded from clearing of current year

This table feeds directly the table in worksheet 1.5 and includes any financial correction decision taken after June and before the date of issuing of the report, as well as any potential decision on a financial correction that has not yet been taken by MA. The body who identified the pending or decided correction must be indicated.

AMOUNT EXCLUDED FROM CLEARING OF CURRENT YEAR*				
Identification of project	Thematic objective / priority	Amount, EU funds (EUR)	Status (pending/ decided financial correction)	Description (including body who identified it)
		0		
		0		
		0		
...		0		
TOTAL AMOUNT EXCLUDED		0		

The table may also include other amounts, which need to be excluded from clearing of the current year, such as amounts incurred and/or paid after the end of the accounting year, identified by the audit authority as part of the verification of the cut-off. These amounts will be eligible in the next accounting year and included either in 2.1 or 3.1 worksheets.

2.2.3. List of amounts recovered

As requested by article 68 of the ENI CBC IR, this table gathers the list of recovered amounts, either by offsetting or by reimbursement.

LIST OF AMOUNTS RECOVERED				
Identification of project	Thematic objective / priority	Amount recovered, EU funds (EUR)	Date of the decision by relevant body	Justification of the recovery
		0		
		0		
...		0		
TOTAL AMOUNT RECOVERED		0		

2.2.4. List of recoveries waived

Please include the list of amounts waived in accordance with the provisions of article 75.2 of the ENI CBC IR.

LIST OF RECOVERIES WAIVED				
Identification of project	Thematic objective / priority	Amount waived, EU funds (EUR)	Date of the decision by JMC	Justification of the waiver
		0		
		0		
		0		
...		0		
TOTAL AMOUNT WAIVED		0		

2.2.5. List of pending recoveries and unrecoverable amounts

This table includes the list of pending recoveries, both contentious and non-contentious, as well as the unrecoverable amounts. In this last case, on top of the country of establishment, please indicate the legal status of the beneficiary (private or public) if located in a partner country.

LIST OF PENDING RECOVERIES AND UNRECOVERABLE AMOUNTS					
Identification of project	Thematic objective / priority	Amount pending, EU funds (EUR) / Amount unrecoverable	Country of establishment of the beneficiary/ partner	Status description of recovery	Indicative date of the recovery (N/A for unrecoverable amounts)
		0			
		0			
...		0			
TOTAL AMOUNT OF PENDING RECOVERIES		0			

2.2.6. List of cases under fraud investigation (including OLAF), legal proceeding or administrative appeal having suspensory effect

This table includes the list of all amounts under fraud investigation under any relevant body at EU or national level. It also includes cases suspended due to legal proceedings. In the case of fraud, please indicate which body is carrying out the investigation. In the case of a legal proceeding, please indicate the court taking care of it.

LIST OF CASES UNDER FRAUD INVESTIGATION (including OLAF), LEGAL PROCEEDING OR ADMINISTRATIVE APPEAL HAVING SUSPENSORY EFFECT				
Identification of project	Thematic objective / priority	Amount, EU funds (EUR)	Date of the decision	Description of potential/decided correction (please indicate body investigating or the court)
		0		
		0		
		0		
...		0		
TOTAL AMOUNT		0		

2.3. Revenue

The table includes any revenue received from the project beneficiaries, such as penalties or interest on delayed recoveries. Please also include any revenue from contractors of technical assistance.

2.3. REVENUE FROM PROJECTS (penalties, interests on delayed recoveries, other, etc.)			
Description of the item	Date of receipt	Revenue amount [EUR]	Comments
TOTAL AMOUNT		0	



3. Technical assistance

The information in the financial report to EC is just the one needed for clearance purpose, considering that it has been included in the work carried out by the Audit Authority. Therefore, the table only request the total amounts contracted and the eligible expenditure (total amount and EU funding).

3.1. TECHNICAL ASSISTANCE					
Total contracted amount in the reporting period [EUR]	EU funding [EUR]	EU funding %	Total eligible expenditure incurred and paid in the reporting period [EUR]	EU funding [EUR]	EU funding %
0,00	0,00	0,00	0,00	0,00	0,00



Technical support to the implementation and management of ENI CBC programmes

Note on the audit opinions in the ENI CBC programmes

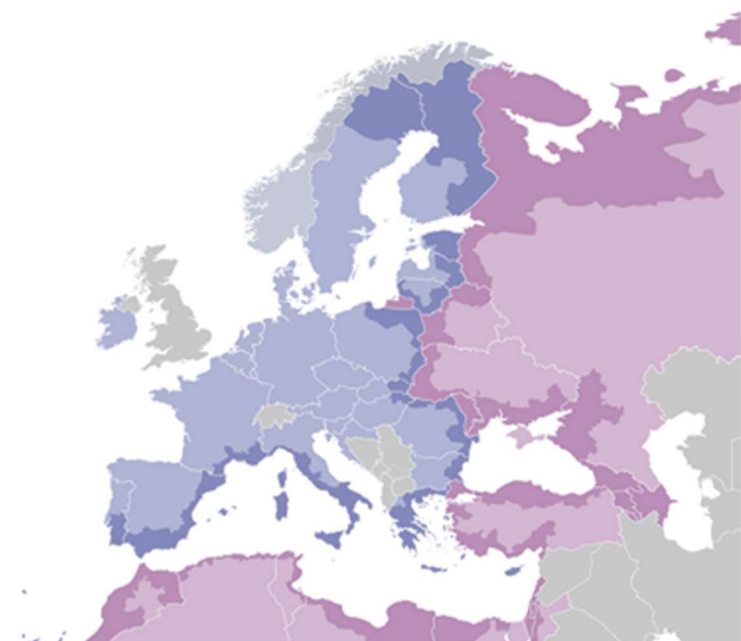
Legal framework and recommendations

December 2020

DISCLAIMER

This **non-binding document** has been developed by the TESIM project.

It does not necessarily reflect the views of the European Commission on the topic, and is presented to programme practitioners **for illustrative purposes only**.



1. Purpose of the note

The audit opinion to be provided annually by the Audit Authority for each programme, in compliance with Article 68(4) of the ENI CBC IR, is based on the conclusions drawn from the audit evidence obtained.

According to the instructions provided by the DG Regio during the 4th network meeting on ENI CBC audit issues (October 26, 2020), it is recommended to refer to the "**Guidance for Member States on the Annual Control Report and Audit Opinion to be reported by audit authorities and on the treatment of errors detected by audit authorities in view of establishing and reporting reliable total residual error rates**" (EGESIF 15-0002-04) for formulating the audit opinion.

However, when it comes to the audit opinion itself, the proposed template text in the section III, chapter 2 "Types of audit opinion" of the above-mentioned document should be adapted to the requirements of the ENI CBC.

2. Template of the audit opinions

Please find below the amendments to the templates of the audit opinion – text **marked in bold**:

- A legal reference to the CPR has been replaced by the article 68(4) of the ENI CBC IR;
- Reference to the "expenditure for which the reimbursement been requested" has been replaced with "the expenditure for which the clearing has been requested".

Unqualified opinion:

In my opinion, and based on the audit work performed:

- the accounts give a true and fair view, as established by **Article 68(4) of Regulation (EU) No 897/2014**;
- the expenditure in the accounts, for which **the clearing** has been requested **in the amount of XXX Eur** from the Commission is legal and regular;
- the management and control systems put in place function properly.

The audit work carried out does not put in doubt the assertions made in the management declaration.

[The audit authority may also include emphasis of matter, not affecting its opinion, as established by internationally accepted auditing standards. A disclaimer of opinion can be foreseen in exceptional cases.]

Qualified opinion:

In my opinion, and based on the audit work performed:

- the accounts give a true and fair view, as established by **Article 68(4) of Regulation (EU) No 897/2014**;
- the expenditure in the accounts for which **the clearing** has been requested **in the amount of XXX Eur** from the Commission is legal and regular;
- the management and control systems put in place function properly.

Except in the following aspects [delete as appropriate]:

in relation to material matters related to the accounts: ...

and/or [delete as appropriate]

in relation to material matters related to the legality and regularity of the expenditure in the accounts for which reimbursement has been requested from the Commission: ...

and/or [delete as appropriate] in relation to material matters related to the functioning of the management and control system:

Therefore, I estimate that the impact of the qualification(s) is [limited] / [significant]. [delete as appropriate]

This impact corresponds to [amount in € and %] of the total expenditure declared. The Union contribution affected is thus ... [amount in €].

The audit work carried out does not put / puts [delete as appropriate] in doubt the assertions made in the management declaration.

[Where the audit work carried out puts in doubt the assertions made in the management declaration, the Audit Authority shall disclose in this paragraph the aspects leading to this conclusion.]

[The audit authority may also include emphasis of matter, not affecting its opinion, as established by internationally accepted auditing standards. A disclaimer of opinion can be foreseen in exceptional cases.]

Adverse opinion:

In my opinion, and based on the audit work performed:

- the accounts give / do not give [delete as appropriate] a true and fair view, as established by **Article 68(4) of Regulation (EU) No 897/2014**;
- the expenditure in the accounts for which **the clearing** has been requested **in the amount of XXX Eur** from the Commission is / is not [delete as appropriate] legal and regular;
- the management and control systems put in place function / does not function [delete as appropriate] properly.

This adverse opinion is based on the following aspects [delete as appropriate]:

in relation to material matters related to the accounts:

and/or [delete as appropriate]

in relation to material matters related to the legality and regularity of the expenditure in the accounts for which reimbursement has been requested from the Commission: ...

and/or [delete as appropriate]

in relation to material matters related to the functioning of the management and control system: ...

The audit work carried out puts in doubt the assertions made in the management declaration for the following aspects: ...

[The audit authority may also include emphasis of matter, not affecting its opinion, as established by internationally accepted auditing standards. A disclaimer of opinion can be foreseen in exceptional cases.]

