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*Avrupa Birliđi Bakanlıđı*  
*IPA II Teknik Destek Projesi*

*Ministry for EU Affairs*  
*Technical Assistance for IPA II*

“IPA II: Taking EU funding to the next level”

11.05.2017 – Advanced training on  
Performance Monitoring

Ivana Varga



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# Advanced training on Performance Monitoring

Day 1  
11.5.2017



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# Training Agenda – Day 1



Sessions	Topic
9:00-9:30	Welcome Introduction to the training Training programme overview  Entry test
9:30-10:30	Module overview Legal provisions concerning monitoring in IPA II Definition and purpose of performance indicators
10:30-11:00	Break
11:00-12:30	NAO and NIPAC: roles and responsibilities in monitoring IPA / Sectoral Monitoring Committees: roles and responsibilities
12:30-13:30	Lunch break
13:30-14:45	Different levels of monitoring Reporting system and monitoring Overview of evaluation principles: focus on efficiency, effectiveness and sustainability
14:45-15:00	Coffee Break
15:00-16:15	Indicators to monitor performance of management and control systems: reporting lines, authorities and responsibilities; assesment and interpretation of the performance and follow up actions
16:15-16:30	Questions&Answers for Day 1



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# Training Agenda – Day 2



Sessions	Topic
9:30-10:45	Welcome Review of Day 1  Project / programme operational monitoring Overall sector Strategic Monitoring Key features of Result-Oriented Monitoring Link between the objectives and actual achievement (output / result indicators)
10:45-11:00	Coffee Break
11:00-12:30	Planning and implementation of monitoring activities during project / programme implementation: physical and financial progress - risk based approach, preparation of Monitoring Plans, performing monitoring visits
12:30-13:30	Lunch
13:30-14:45	Planning and implementation of monitoring activities after the end of project / programme implementation: sustainability and financial viability, efficiency and effectiveness - risk based approach, preparation of Monitoring Plans, performing monitoring visits
14:45-15:00	Coffee Break
15:00-16:00	Monitoring Reports: drafting findings, conclusions and recommendations / corrective measures
16:00-16:15	Questions & Answers for Day 2
16:15-16:30	Exit test Evaluation of the training by participants Closure of the training



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# Performance monitoring - focus on results



- Regulation (EU) 231/2014, *Article 2*:
  - „1. Assistance under this Regulation shall pursue the achievement of the following specific objectives according to the needs of each of the beneficiaries...
  - 2. Progress towards achievement of the specific objectives ... shall be monitored and assessed on the basis of pre-defined, clear, transparent and, where appropriate, country-specific and measurable indicators...”



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# Regulation (EU) 231/2014



## *Article 6:*

- „1. Assistance under this Regulation shall be provided on the basis of country or multi-country indicative strategy papers...
2. The strategy papers shall define the priorities for action towards meeting the objectives...
3. The strategy papers shall include the indicative allocation of Union funds ... The strategy papers shall include the indicators for assessing progress...



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# Regulation (EU) 231/2014



4. The Commission shall make an annual assessment of the implementation of the strategy papers... The Commission shall inform the committee ... of the results of that assessment and may propose revisions of the strategy papers..."

## *Article 14:*

„1. The strategy papers ... shall provide for an appropriate amount of assistance to remain available to reward an individual beneficiary ... for:



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# Regulation (EU) 231/2014



- (a) particular progress made towards meeting the membership criteria; and/or
  - (b) efficient implementation of pre-accession assistance whereby particularly good results are achieved with respect to the specific targets set in the relevant strategy paper.
2. Where the progress made and/or the results achieved by a beneficiary ... remain significantly below the agreed levels ..., the Commission shall adjust the allocations proportionately...



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# Regulation (EU) 231/2014



3. An appropriate amount shall be set aside for the rewards ... and shall be allocated on the basis of an assessment of performance and progress over a period of several years but not later than in 2017 and 2020 respectively. The performance indicators ... as specified in the strategy papers, shall be taken into account.

4. The indicative allocation of Union funds ... shall take into account the possibility of allocating the additional funds concerned on the basis of performance and/or progress."



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# Effectiveness is the overall principle



Main points for result orientation:

1. Result orientation of assistance
2. Monitoring through indicators
3. Performance assesment (Evaluation and Reporting)
4. Rewards for particularly good results /  
Adjustment (reducement) of the allocations for results achieved significantly below the agreed levels



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# Lessons learned from previous programming periods



- Previous programmes were often designed mainly to spend
- Objectives were vague
- Sometimes it was hard to recognize success or failure
- Difference between monitoring and evaluation was not clear
- Consequently, it was difficult to demonstrate value of the implemented policy



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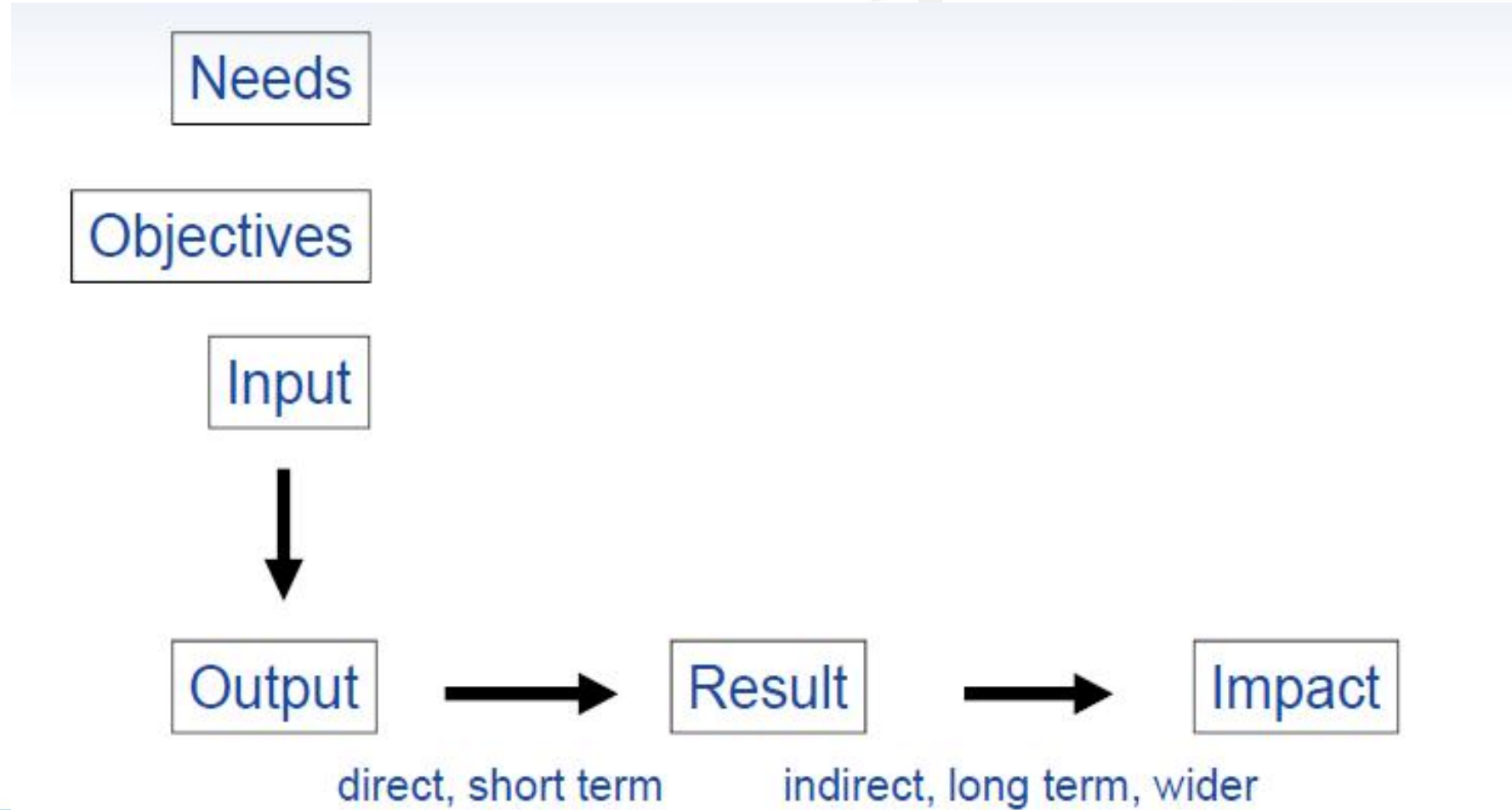


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# „Old approach“



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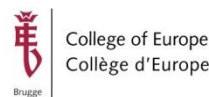
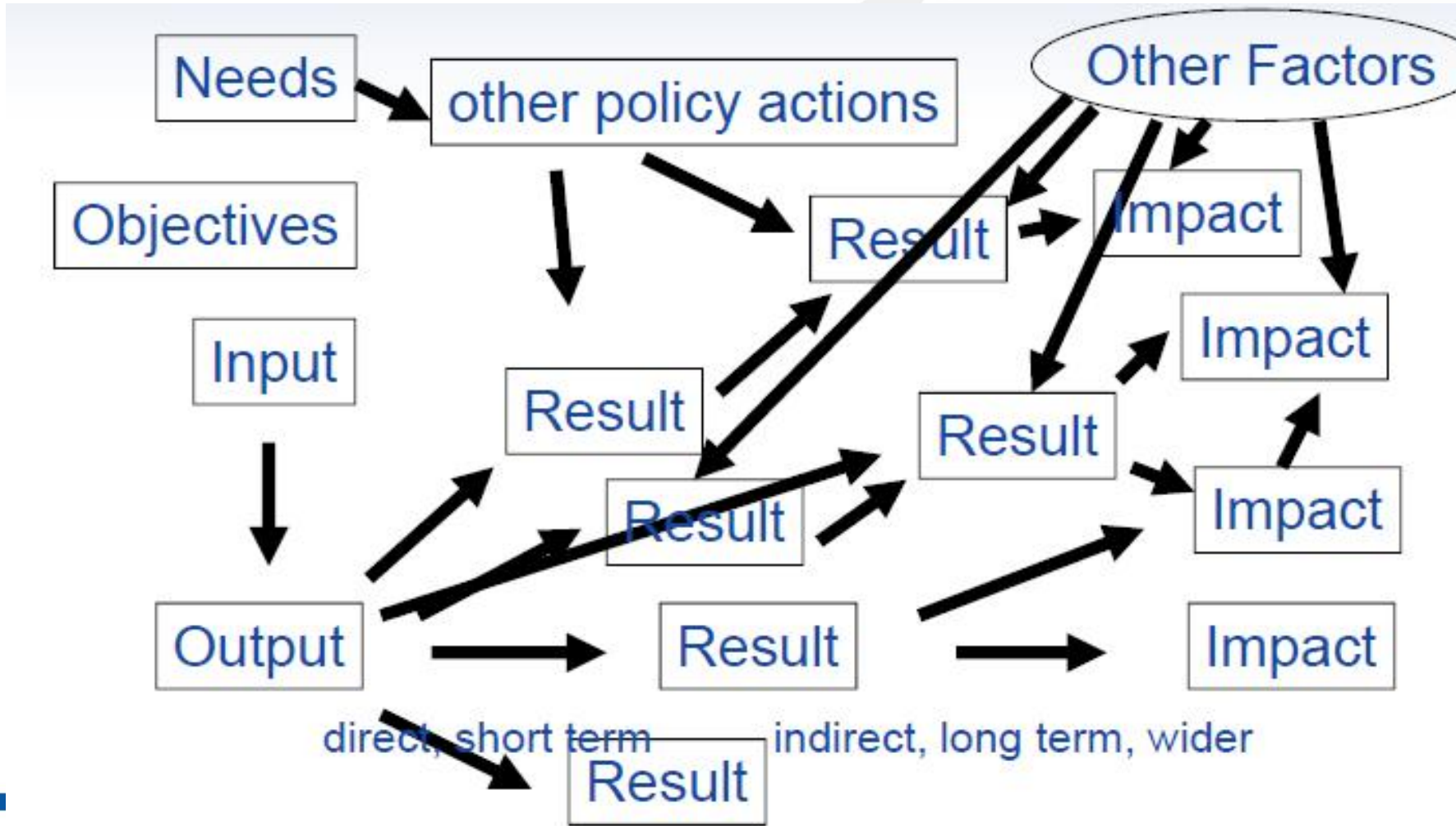


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# „Old approach” and reality





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# What was proposed to change the approach



- Focus on results (not only spending)
- Programmes with clear articulation of what they aim to change and how
- Better gathering of basic data on outputs
- Reward for the good performance
- The annual assessment of the implementation made by the EC



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# Main challenges



- Missing common definitions - what is 'disadvantaged person' or 'SME'?
- Too many indicators – to strive towards smaller number of indicators of better quality
- Problems with the aggregation - indicators defined as percentages
- Problems with the unit of measurement
- Good programming as a pre-condition for indicators



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# The role of NAO



- The NAO bears overall responsibility for the financial management of the funds under IPA II and for ensuring the legality and regularity of the procedures
- The NAO is, in particular, responsible for;
  - a) management of IPA II accounts and financial operations via the National Fund,
  - b) the effective functioning of the internal control systems for the implementation of IPA II assistance



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# The role of NAO



- After the Commission has entrusted budget implementation tasks, the NAO shall be responsible for monitoring the continuous fulfilment by the management structure and the operating structures of the applicable requirements



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# The role of NIPAC



- The NIPAC shall:
  - (a) take measures to ensure that the objectives set out in the actions or programmes for which budget implementation tasks have been entrusted are appropriately addressed during the implementation of IPA II assistance
  - (b) coordinate the drawing up of an evaluation plan in consultation with the EC presenting the evaluation activities to be carried out in the different phases of the implementation



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# Reporting requirements to the EC by NIPAC



- By 15 February of the following financial year, the NIPAC shall provide the EC with an annual report on the implementation
- The report shall include in particular:
  - a) involvement of the IPA II beneficiary in programming, monitoring and evaluation, communication and visibility efforts;
  - (b) problems encountered in meeting the required conditionalities and in ensuring sustainability, related measures taken /



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# Reporting requirements to the EC by NIPAC



planned, main horizontal problems encountered and mitigating measures taken, problems encountered during implementation of activities;

(c) information on the indicators set up in the strategy papers and in the programming documents

- In addition the NIPAC shall provide the EC with an annual report on the implementation of the entrusted budget implementation tasks by 15 February of the following financial year



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# Reporting requirements to the EC by NIPAC



- The report shall be based on information provided by the OSs and shall include in particular:
  - (a) a summary of main achievements;
  - (b) a summary of any significant problems encountered in implementing the budget implementation tasks entrusted and any subsequent measures taken;
  - (c) quantitative and qualitative information on the progress made in implementing the



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# Reporting requirements to the EC by NIPAC



objectives, results, indicators set up in the strategy papers and programming documents;

(d) recommendations for corrective/further actions.

- The NAO shall receive all mentioned reports.



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# Reporting requirements to the EC by NAO



- By 15 February of the following financial year, the NAO shall provide the EC with:
  - (a) annual financial reports or statements on accrual basis as specified in the Financing Agreement, which clearly distinguishes costs accepted and payments made
  - (b) an annual management declaration per programme covering:



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# Reporting requirements to the EC by NAO



- (i) the overall responsibility for the financial management of EU funds and for the legality and regularity of the underlying transactions;
- (ii) the responsibility for the effective functioning of the management and internal control systems under IPA II



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# Reporting requirements to the EC by NAO



(c) a summary of the reports on the internal audits and of controls carried out by the MS, providing a sound basis for the management declaration.

Such summary shall include an analysis of the nature and extent of errors and weaknesses identified in systems, corrective action taken or planned as well as follow-up given to the reports issued by the audit authority.



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# Reporting requirements to the EC by NAO



- The analysis of all reports received by the NAO combined with regular on-site verification and documentary checks performed by the relevant NAO SD/NF staff shall serve to collect data needed for operational monitoring of the effectiveness of the systems.
- They constitute a good source of information to support the preparation of the Annual Management Declaration



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# Monitoring Committees



- Under the Instrument for Pre-Accession Assistance, IPA Monitoring Committee has been established to ensure monitoring at the level of IPA II and Sectoral Monitoring Committees have been established to execute the duties described in the IPA II Framework Agreement, Sectoral Agreements and the Financing Agreements at the sectoral or the sub-sectoral levels in first three policy areas



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# IPA Monitoring Committee



- at the highest level
- review the overall effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of all actions towards meeting the objectives set out in the Financing Agreements and the strategy papers
- IPA Monitoring Committee meetings are co-chaired by representative of the EC and the NIPAC
- the IPA Monitoring Committee shall meet at least once a year



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# Sectoral Monitoring Committees



- set up by policy area or by programme
- review the effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the actions in the policy area or programme and their consistency with the relevant national and, whenever relevant, regional sector strategies
- chaired by the NIPAC or a senior representative of the country and, depending on the policy area or programme, the EC may co-chair the Sectoral Monitoring Committee meetings



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# Sectoral Monitoring Committees



- each Sectoral Monitoring Committee is coordinated by the institution in charge of the related sector or sub-sector
- The Sectoral Monitoring Committees shall meet at least twice a year
- measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution



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# Sectoral Monitoring Committees



- Brief Reports on the use of funds, together with the data and information that may constitute basis for the evaluation of the achievement of the sectoral indicators in particular regarding the on-going activities, are submitted by the institution in charge of each sector or sub-sector to the NIPAC, within a reasonable time before the Sectoral Monitoring Committee meetings



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# Sectoral Monitoring Committees



- review annual implementation reports,
  - review the progress towards meeting the objectives, achieving the planned outputs and results,
  - examine relevant findings and conclusions as well as proposals for remedial follow-up actions stemming from the on-the-spot checks, monitoring and evaluations if available,
- discuss any relevant aspects of the functioning of the management and control systems,



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# Sectoral Monitoring Committees



- review information, publicity, transparency, visibility and communication measures taken,
- discuss any problematic issues and actions,
- if necessary, consider or make proposals to amend programmes and any other corrective action to ensure the achievement of the objectives of the actions and enhance the efficiency, effectiveness, impact and sustainability of IPA II assistance



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# Different levels of monitoring



- the NAO is responsible for the effective functioning of the Internal Control Systems (ICSs) for the implementation of IPA II assistance
- In monitoring the ICSs, the roles and responsibilities of the IPA II entities which take place in the monitoring activities are defined
- In this context, Monitoring Framework Documents (MFDs) has been prepared for Annual Action Programme (AAP) and Multi-Annual Action Programmes (MAAP)



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# Monitoring Framework Documents (MFDs)



- In these documents, the roles and responsibilities of all IPA II entities within the context of monitoring have been clearly defined for the following phases of IPA II implementation:
  - Phase 1 - covers period from Approval of Actions Programmes to the signature of contract,
  - Phase 2 - covers period from the signature of contract to the end of the contract,
  - Phase 3 - covers period from the end of the contract to the Programme closure



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# Monitoring Framework Document (MFD)



- the MFD is the main reference document for IPA II monitoring activities
- according to the MFD, the MS has defined:
  - primary and specific objectives of the overall IPA II ICSs,
  - identified risks that may prevent reaching these objectives and
  - determined key risk indicators (KRIs) and key performance indicators (KPIs) as monitoring tools



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# Guideline for Monitoring the Objectives of MCSs



- the IPA II entities shall ensure that the risks are identified and managed within the context of their organisational objectives
- each IPA II entity needs to develop its objectives, identify relevant risks and define monitoring tools subsequently
- the procedures for monitoring the performance of the IPA II ICSs and managing the identified risks are presented in the *Guideline for monitoring the Objectives of Management and Control System*



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# Guideline for Monitoring the Objectives of MCSs



- the objectives defined for measuring the performance of the IPA II entities are as follows:
  - 1 - to prepare complete and adequate tender dossiers timely (in line with PRAG and any other relevant regulations), for annual programmes (AP) within 1 year after the date of entry into force of relevant financing agreements; for the multi-annual programmes (MAP) within 2 years after the adoption of the relevant sectoral operational programme by the EC



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# Guideline for Monitoring the Objectives of MCSs



- 2- to carry out tendering processes and to sign contracts in a timely manner (for AP in 3 years following the date of entry into force of relevant financing agreements; for the MAP 3 years before the deadline of the first budgetary commitments) in line with the applicable rules and regulations
- 3 - to execute the contracts within a reasonable time-period (for AP in 6 years following the date of entry into force of relevant financing agreements; for the MAP before the deadline of the last budgetary commitments)



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# Monitoring Reports



- It is defined in the agreements signed between the NAO and the OSs in *Article 4.b* and *Annex II* (nr.12 for MAAP and nr.14 for AAP) that the OSs shall submit to the MS their periodical Monitoring Reports with regard to the condition of KPIs/KRI
- The MS shall monitor the condition of determined KRIs/KPIs in determined periods, assess them and take necessary actions



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# Framework Agreement for IPA II, *Article 12*



- in order to guarantee a level of protection of the financial interests of the EU, the beneficiary country shall
  - set up and ensure the functioning of an effective and efficient internal control system (operational objective)
  - use an accounting system that provides accurate, complete and reliable information in a timely and regular manner clearly distinguishing costs accepted and payments made (financial objective)



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# Framework Agreement for IPA II, *Article 12*



- apply appropriate rules and procedures for providing financing from IPA II assistance through grants, procurement and financial instruments (compliance objective)
- these high-level objectives are expected to be cascaded to activity-level objectives throughout the IPA II management and control system
- a comprehensive internal control process will ensure proper execution of objectives at each level and/or timely notification when objectives will not be achieved



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# Key Risk Indicators (KRIs)



- the following tables present the KRIs that act as early warning signals for main business principles per each Internal Control Component, thus providing the capability to indicate changes in the IPA Bodies' risk profile



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# Control Environment



Principles	KRI
Ethics and integrity policies	number of the publicly disgraced news, complaints and or law suits
Supervision by management of tasks delegated to subordinates	rejection rate
Establishment of structures, reporting lines, and authorities and responsibilities	number of the reports submitted late or in duplicate
Staff planning, recruitment, retention, training and appraisal	high staff turnover
	number of the reports submitted late or in duplicate
Accountability for allocated tasks and responsibilities	high staff turnover
	percentage of the contracts signed very close to the deadline



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# Risk management



Principles	KRI
Objective setting	number of the re-performed operations
	percentage of unreached KPIs per IPA entity in the reporting period
Risk identification, assessment and response	number of problems faced that are not included in the risk register file
Fraud risk	number of the cases that should be reported as irregularities but were not reported, and that were subjected to the audit reports
	overall percentage of irregular amount to the payment amount
Identification and assessment of changes affecting the system of internal controls	number of delayed key personal change notification after the changes occurred



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# Control activities



Principles	KRI
Selection and development of control activities	number of the findings in the audit reports related with control weakness
	number of the reports submitted late or in duplicate
	rejection rates
	number of the case reported for inconsistencies with visibility rules
	number of duplicate or wrong payments orders
	delays in the payments
	percentage of duplicate or wrong payment orders in the period
	amount of recoveries completed
	gap between the disbursement amount forecasted and paid
	gap between the disbursement amount forecasted and realised
	rate of the co-financing payments not realised
	number of the case where all or part of the data were lost
	number of transactions corrected by revised entry
	number of reconciliation reports with no conformity
number of the exception report	
Security control activities	delays in submitting the documents during the OSC
	number of the corruption related news, complaints and or law suits
Policies and procedures related to control activities	number of the unauthorised accesses to the IT system
	number of the reports or letters submitted inconsistent with the MoP
	rejection rate
	number of the changes in MoP



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# Information and communication



Principles	KRI
Information to support functioning of internal controls	number of complaints received
Internal communication	number of the periodic reports produced for internal use
	number of the "whistle-blower" reports received internally
External communication	number of the periodic reports produced for external use
	number of the "whistle-blower" reports received externally



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# Monitoring of internal control framework



Principles	KRI
On-going and specific monitoring	number of the OSC visits of the OS
	number of the reports of the internal auditors
Assessment, recording and communication of internal control deficiencies	number of the audit findings related with the monitoring activities
	number of audit findings with high/major priority



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# Measuring and monitoring KRIs



- the identified KRIs are monitored by the MS as regards the risk source, reporting time and frequency
- the frequency of the measurement is an important factor (quarterly / semi-annualy / annualy / ad hoc) - the more frequently an indicator is revised, the more representative information will be obtained



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# Key performance indicators (KPIs)



- they are used to check what proportion of risks (previously identified as KRIs) are enough significant to actually guarantee to have defined controls which are regularly monitored
- the KPIs determined by the MS for the performance measurement for each specific objective are following:



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## Specific objective 1: To ensure the effective functioning of the ICSs



- The rate of current staff/staff needed per IPA entity
- The rate of staff turnover per IPA entity
- The rate of performed OSCs/planned OSCs per IPA entity
- Cumulative average rate of rejection per IPA entity
- Annual average rate of rejection per IPA entity
- The number of high risk systemic audit findings of EC and AA per IPA entity
- The number of unreachd KPIs per IPA entity



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## Specific objective 2: To ensure the legality and regularity of transactions



- The number of high risk systemic audit findings of NAO per IPA entity



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## Specific objective 3: To manage the IPA II accounts and financial operations



- The rate of de-committed amount / budget amount per Sectoral Operational Programme
- The rate of provided / requested co-financing amount by IPA entities rate
- The rate of deviation in disbursement forecasts per IPA entity



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Specific objective 4: To notify the Commission of any substantial change concerning the MCSs



- The number of delays in the key personal change notification after the changes occurred



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# Measuring and monitoring KPIs



- the identified KPIs are also monitored by the MS as regards their source and reporting time and frequency
- the MS assesses the status of KPIs regularly by receiving the documents and reports from the Operating Structures
- by taking the average of the KPIs of the Operation Structure, the overall assessment of the IPA system for implementation period shall be done



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# Evaluation principles – assessment of KPIs



- If the status of a KPI is Poor:
  - the Head of MS or assigned staff shall hold a high management level meeting with participation of the Head of OS for relevant IPA II entity to discuss the reasons of poor performance and determine the actions to be taken
  - following the meeting, the MS shall receive the action plan of relevant IPA II entity and follow up corrective actions



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# Evaluation principles – assessment of KPIs



- If the status of a KPI is Low:
  - the Head of MS shall request the IPA Unit of relevant entity to prepare an action plan including actions with deadlines, to be taken to have better performance in next period
  - the MS shall follow the corrective actions
- If the status of a KPI is Average:
  - The Head of MS shall send to the relevant entity a notice reminding the performance level and requesting necessary measures to be taken to have better performance



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# Monitoring performance of MCSs



- In accordance with Article 9 of the IPA II IR, the NAO shall supervise the IPA OSs Management and Control Systems in order to be able to provide the EC with annual management declaration per programme
- The responsibility for the preparation of the annual management declaration is assigned to the relevant NAO Support Department
- The documents gathered over the year through the regular supervision and monitoring of the systems shall be used



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# Documents supporting the preparation of AMD



- Sectoral Annual / Final Implementation Reports;
- Analytical Irregularity Reports;
- Workload Analyses;
- Risk Management Reports;
- Audit Reports (EC / Audit Authority / Internal Audit);
- Changes/Exceptions Reports;
- Training Documents;
- On-The-Spot Check Reports;
- Management Declarations



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# Management Declaration (MD)



- The OS shall submit to the NAO by 31 January a MD which shall include:
  - A confirmation of the effective functioning of the management and control systems;
  - A confirmation regarding the legality and regularity of the underlying transactions;
  - Information concerning any modifications in systems and controls, and elements of supporting accounting information



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# Management Declaration (MD)



- The relevant NAO SD shall review the IPA OS Management Declaration and reconcile the MD with data and information available in relation to:
  - The regular monitoring of the systems and procedures by the NAO;
  - Reports from internal auditors and external auditors;
  - Declarations and reports received from the OS including request for funds / Declarations of expenditure and revenues / etc... and relating supporting documents;
  - Irregularity reports.



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# Evaluation – analysis – examination of MD



- WLAs are analysed and measures taken / to be taken are reviewed
- Staff turnover rate is taken into consideration to assess the staff capacity of the IPA II bodies
- Audit reports' findings and recommendations (EC, national) are analysed, the high risk level issues are especially emphasized, the status of the previous year's findings is reviewed, progress in these areas is evaluated, measures and action plan are analysed, effectiveness and reliability of the corrective measures are taken into account



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# Evaluation – analysis – examination of MD



- Risk Registers and Action Plans of OSs are evaluated, the effectiveness of the mitigating measures is reviewed for previous year
- Training need analysis and Training Programme delivered in the previous year are reviewed, new training plan is updated
- All modification regarding structure, procedures, staffing and IPA Programmes are received from OSs throughout the year, these modifications and their impacts on the system are analysed



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# Evaluation – analysis – examination of MD



- Assess if any additional information shall be requested from the OSs,
- Decide in close coordination with the Head of MS and the Head of NF if any ad-hoc on-the-spot check (in addition to the planned ones) shall be implemented;
- Formalise its review and comments in a check-list and in a “Note to the NAO”.





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# Preparation of AMD



- If all reports and information provide insurance for legality and regularity of transactions, AMD is given without reservations
- A short note is prepared for all these documents and activities
- Serious weaknesses at the system level, irregularities and the action plans to mitigate these weaknesses are elaborated in detail
- Following these studies, an opinion is given to the NAO on whether the AMD shall be given with or without a reservation



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# AMD with reservation



- a reservation should be considered in case there are significant deficiencies in the MCS
- deficiencies are considered to be significant if one or more key components of the system in question do not exist or are not working effectively



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# AMD with reservation



- When assessing the significance of any deficiencies, the following factors should be taken into account:
  - The number of such deficiencies;
  - The duration of such deficiencies;
  - Special factors increasing the reputation risk for the MCS;
  - The existence of compensatory measures which effectively reduce the identified risk.



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# AMD with reservation



- If deficiencies have been detected, corrective measures might be implemented at NAO and/or OS levels in order to counter the impact of these deficiencies
- A reservation should be considered if such corrective measures are inefficient or do not prove to be successful in addressing the problem(s), for example due to a lack of time



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# AMD with reservation



- The reservation should be reported as follows:
  - Clear disclosure on the criteria used in making the reservation,
  - A brief assessment of the potential impact of the significant deficiency in terms of its cause (for example in terms of the operations of the Payment Applications, accuracy of the financial information, etc...), and the effect on the assurance provided in the AMD;
  - A quantification of the potential financial impact in monetary terms;
  - The remedial action plan and the prospective timescale for its implementation



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THANK YOU FOR YOUR ATTENTION



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