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WK 10172/2019 INIT

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WORKING PAPER

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MEETING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Financial Agricultural Questions
N° Cion doc.:	9634/18 + COR 1 + ADD 1
Subject:	Proposal for a Regulation on the financing, management and monitoring of the CAP - Commission presentation on "Annual Clearance Package and Option 1 for non-IACS interventions"

Delegations will find attached the presentation on "Block 3 PRES Inventory Paper - Annual Clearance Package and Option 1 for non-IACS interventions", as given by the Commission in the Working Party AGRIFIN on 19 September 2019.

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Block 3 PRES Inventory Paper – Annual Clearance Package & Option 1 for non-IACS interventions

AGRIFIN WP, 19 September 2019



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Disclaimer: This presentation is only intended to facilitate the work of the AGRIFIN Working Party. It has no interpretative value.

Content of the Annual Clearance Package

1. Annual accounts of the expenditure (as today)
 2. Annual Performance Report, including output and result indicators (new)
 3. Management Declaration (largely as today)
 4. Certification Body's audit opinion (modified scope)
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1. Annual accounts

- Expected to remain the same as in current period, in line with Art. 63 of the new Financial Regulation

2. Annual Performance Report

The content of the APR is designed to provide comprehensive information as regards the MS performance in a financial year.

Important elements:

1. Reconciliation of the expenditure reported in the APR with the annual accounts
2. Option 1 for EAFRD

*NB: Output indicators not used for performance clearance:
O.3, O.7, O.31, O.32, O.33*

Reconciliation of expenditure reported in the APR with the annual accounts - EAGF interventions (DP)

Per intervention (and per average unit amount if applicable)	Reported in Annual accounts ⁶	Reported in APR
Amount of expenditure declared (MS to EC) = Amount paid to beneficiaries	950,000	950,000
Add back		
Reduction and capping		10,000
Financial discipline		20,000
Penalties and sanctions		20,000
Gross amount of support relative to number of outputs		1,000,000

Reconciliation of expenditure reported in the APR with the annual accounts - EAFRD interventions

Per intervention (and per average unit amount if applicable)	Reported in Annual accounts ⁸	Reported in APR
Amount of expenditure declared (MS to EC)	930,000	930,000
Financing from recoveries of previous years		50,000
Amount paid to beneficiaries		980,000
Add back		
Penalties and sanctions		20,000
Gross amount of support relative to number of outputs - EAFRD		1,000,000
EAFRD contribution rate		X%
Gross amount of support relative to number of outputs - total public expenditure		1,000,000/X%



Example : Option 1 for the planning and reporting on the unit amounts

2 calls in one year

Intervention: Productive investments

Disclaimer:

The content is not based on the Commission proposal for the CAP post-2020. It depicts the current state of the discussion in the Council WP on NDM and on Article 121 SPR in particular and so called Option 1 for planning and reporting the unit amounts for such non-IACS interventions in the APR identified by the RO PRES. This option is included in amendments to Article 121 SPR (10103/19 of 7 June 2019).

Principle of the Commission Proposal:

1. Unit amount included in the CAP Strategic Plan - benchmark for clearance
2. Comparison of the realized unit amount reported in the APR to the benchmark
3. In case of deviations – justifications to provide in APR or in accordance with Article 52(2)

Interpretation of Option 1:

1. Unit amount included in the CAP Strategic Plan – indicative nature
2. Reporting in APR the average unit amount of selected operations per call/year -> benchmarks for performance clearance
3. Comparison of the realized unit amount reported in the APR to the benchmark – average unit amount for the relevant call/year
4. Becomes a rolling forecast, number of potential deviations to justify limited depending on homogeneity of calls (see example)

2 Calls launched in year 2023

Call for proposals 1

Running from 10th January – March 31st



Number of projects selected: 100
Expenditure committed: 0,5m€
Average unit amount: 5 000€

Call for proposals 2

Running from 15th April – 30th June



Number of projects selected: 200
Expenditure committed: 2m€
Average unit amount: 10 000 €

Adjusted average unit amount for year 2023 (benchmark to be included in APR 2024): 8,333 €

Reporting on expenditure/outputs of the intervention in relation to campaign year 2023

Adjusted average
unit amount
(Benchmark)

8 333 €

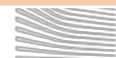
Total Outputs:
300

In APR FY 2024
and 2026
realised unit
amount is
higher than
benchmark

Details are
needed

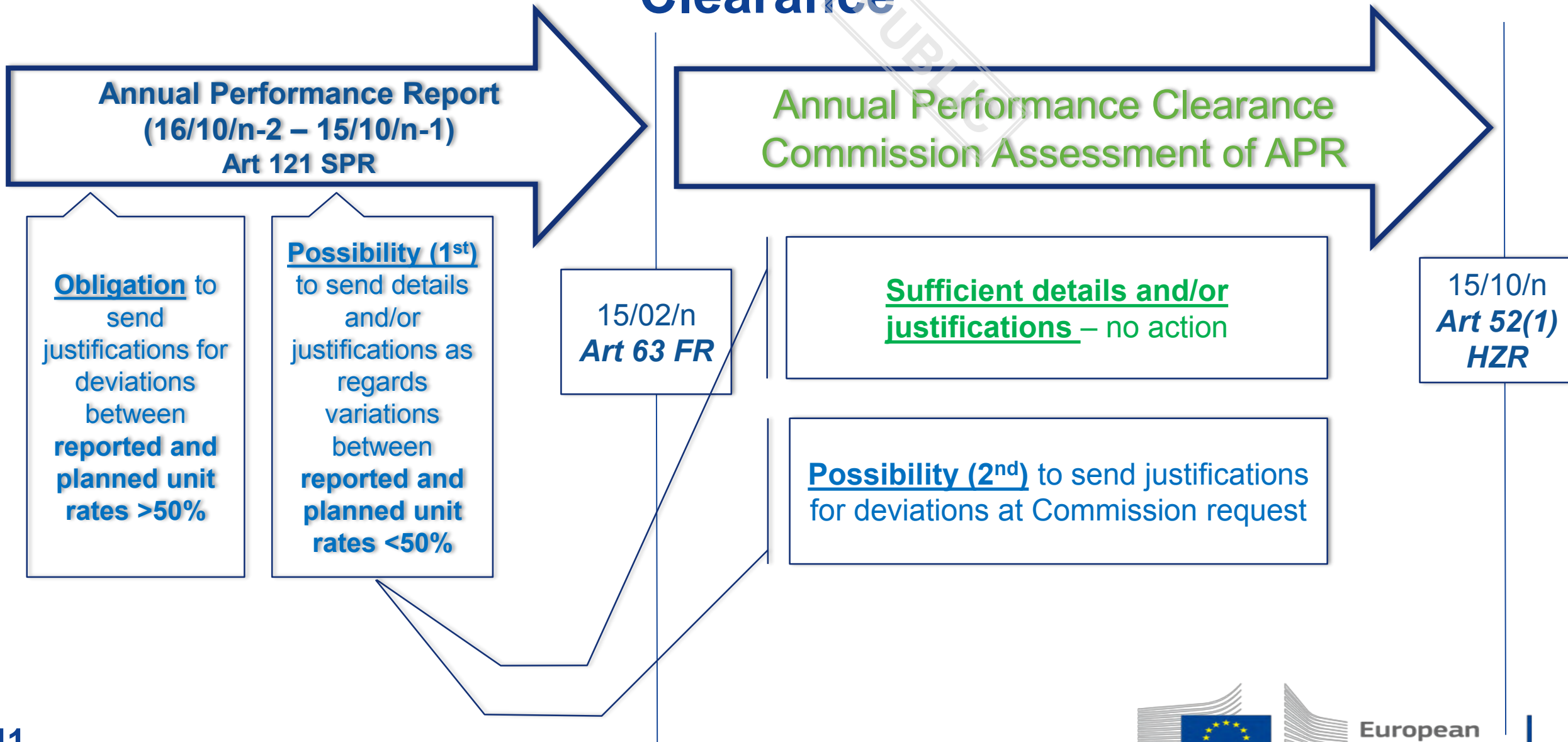
APR	Advance (20%)	1 st interim (30%)	2 nd interim (20%)	Balance payment (30%)	Realised Outputs
2023	0,500 m€				0
No outputs accounted Advanced payments granted to all 300 projects, only reported in the annual accounts, will ONLY show in the reconciliation of the annual accounts to the APR					
2024		0,675 m€			75
Realised unit amount: 9 000 €		1 st call: 30% of 50 projects (= 0,075m€ @ 5000€/project) 2 nd call: 30% of 200 projects (= 0,6 m€ @ 10 000€/project)			
2025		0,075 m€	0,450 m€		65
Realised unit amount : 8 076 €		1 st call: 30% of 50 projects & 20% of 50 projects (0,075m€ + 0,05 m€ = 0,125m€ @ 5000€/project) 2 nd call: 20% of 200 projects (=0,4 m€ @ 10 000€/project)			
2026	0,450 m€*		0,05 m€	0,675 m€	135
Realised unit amount : 8 703 €		1 st call: 20% of 50 projects & 30% of 50 projects + clearing of the advance payment for 20% of 50 projects (0,05m€ + 0,075m€ + 0,05m€ = 0,175m€ @ 5000€/project) 2 nd call: 30% of 200 projects + clearing of the advance payment for 20% of 200 projects (0,6 m€ + 0,4 m€ = 1m€ @ 10 000€/project)			
2027	0,050 m€*			0,075m€	25
Realised unit amount : 5 000 €		1 st call: 30% of 50 projects + clearing of the advance payment for 20% of 50 projects (0,075m€ + 0,05 m€ = 0,125m€ @ 5000€/project)			

* Total advance cleared 0,500m€ as reported in the annual accounts of the FY 2023



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Timeline for providing justifications in Annual Performance Clearance



3. Management Declaration

The MD will cover:

- the **accounts** -> information properly presented, complete and accurate
- the proper functioning of the **governance systems** in place -> expenditure used for intended purpose, control systems put in place:
 - governance bodies (accredited PA, Coordinating Bodies, Competent Authority and CBs)
 - EU basic requirements, including the reporting system in place for the APR
- analysis of errors and weaknesses identified in systems, corrective actions
- the consolidation of the data from the PAs in a single APR done by a **Coordinating Body** (in case of more than 1 PA)

The future scope of the MD is

- ***not different from the current one,***
- ***in line with Article 63(6) of the FR,***
- ***only wording aligned with the terminology of the NDM.***

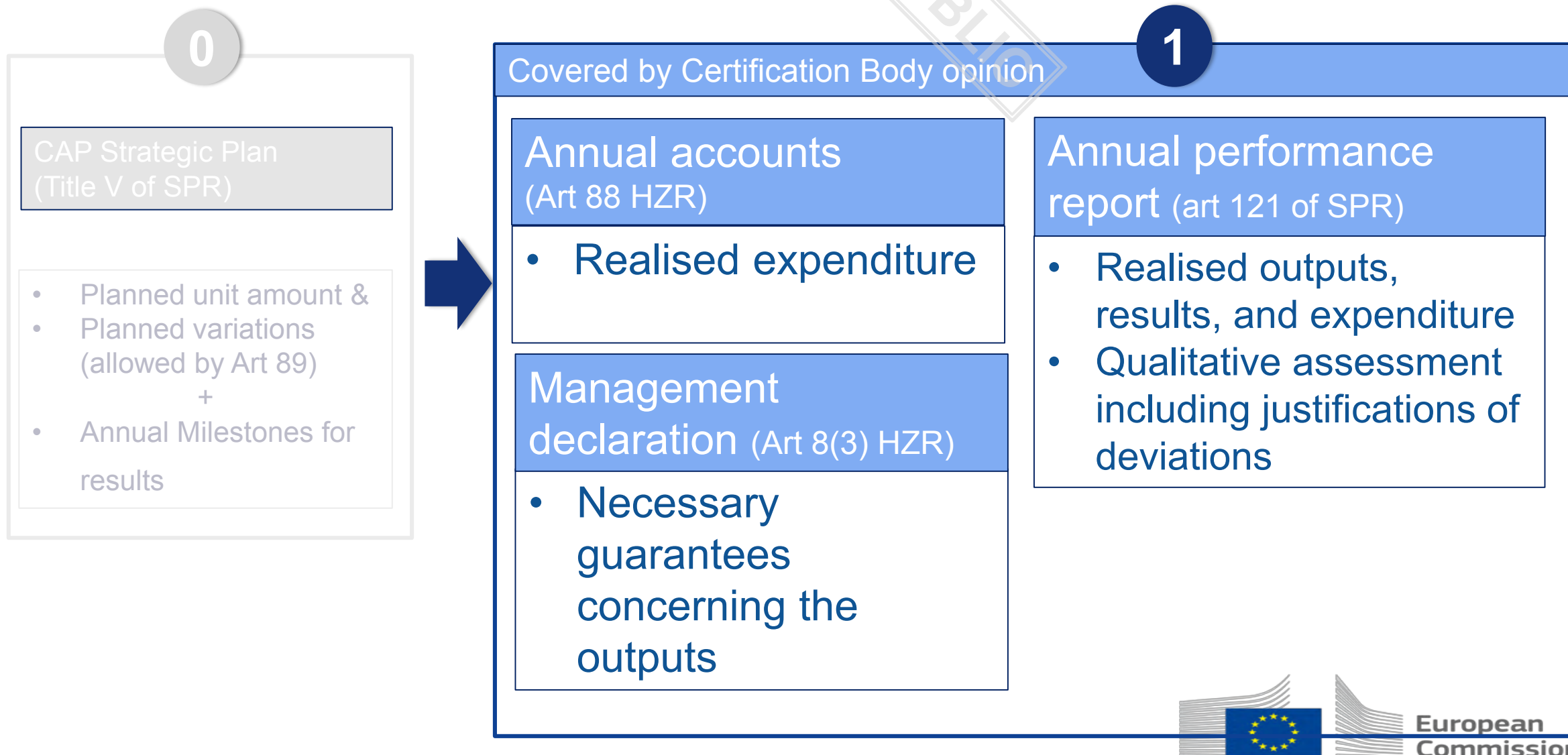
4. Certification Body opinion

The CB will give an opinion on:

- Annual accounts (if those give a true and fair view) – no change
- Governance systems (if they function properly)
- Annual performance reporting on output (if Article 35 of HZR is complied with and it is correct) and results indicators
- Assertions made in the Management Declaration – no change

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Scope of the Certification Body work in NDM



Timeline for the Certification Body work

- Recall the non-paper on Certification Bodies (WK 3049/2019)
- Included detailed diagram on the work of the CBs in new assurance model

