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WORKING PAPER

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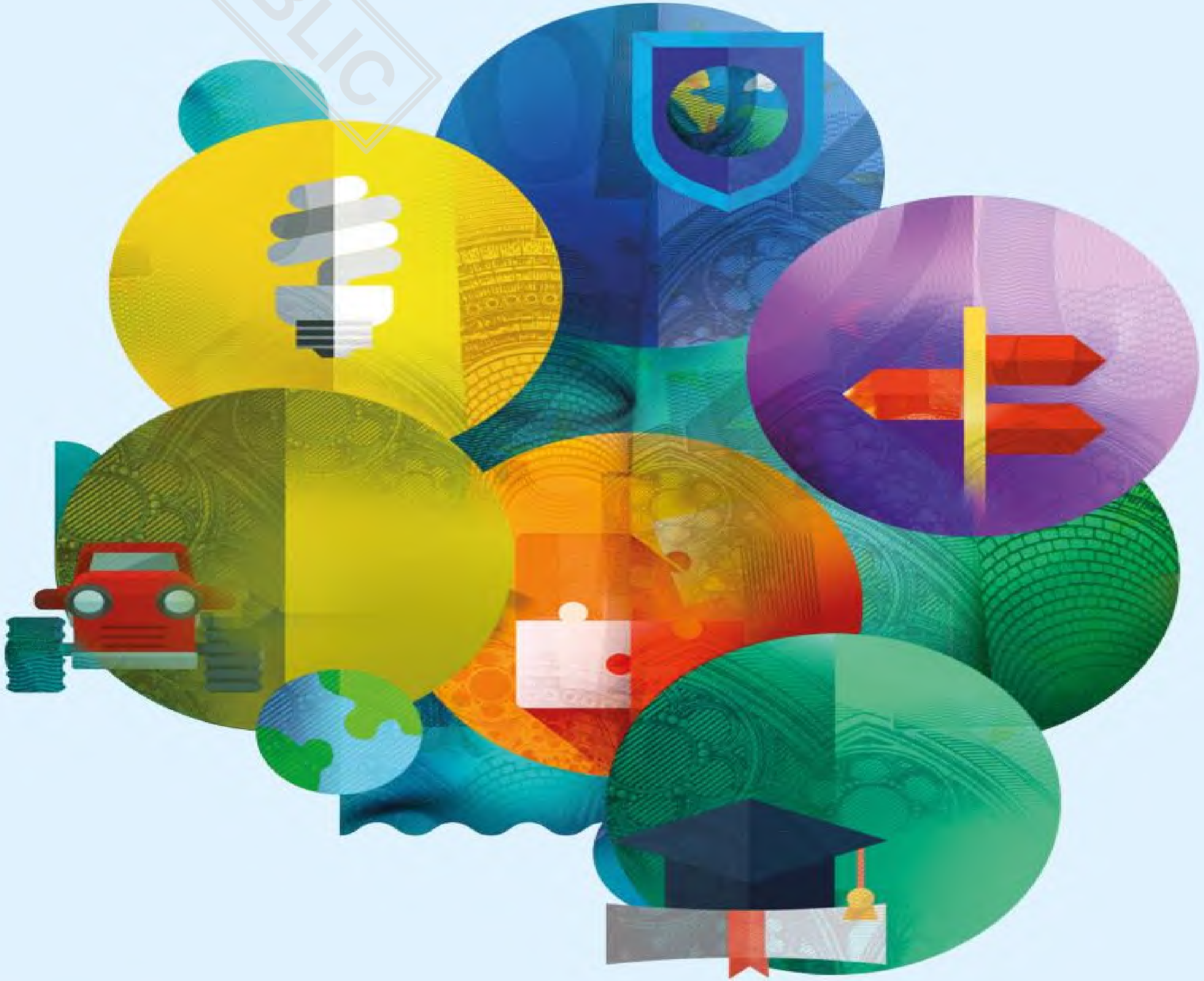
MEETING DOCUMENT

From: To:	General Secretariat of the Council 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 Performance Clearance

Delegations will find attached the presentation on "Block 4 PRES Inventory Paper - Annual Performance Clearance", as given by the Commission in the Working Party AGRIFIN on 2 October 2019.

European Commission

Block 4 PRES Inventory Paper – Annual Performance Clearance



AGRIFIN WP, 2 October 2019

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

Annual Clearance Package and what will the Commission do after 15/02?

Annual Clearance Package for year N

- Annual accounts
- Management Declaration
- Certification Body opinion
- Annual Performance Report

To be sent by **Paying Agency** or if applicable **Coordinating Body** by **15/02 N+1**

Annual Financial Clearance*

Annual Performance Review*

Annual Performance Clearance

* Not discussed today

Annual Performance Clearance

New exercise, in the logic of New Delivery Model

Objective: ensure **Expenditure matched by corresponding Outputs**

+

Important input: **CB opinion certifying performance reporting is correct**

Assessment of eligibility of expenditure

- Timeframe -> Commission can only **apply possible reductions by 15/10/N+1**
- Potentially suspensions if deviations >50%

Timeline for the Annual Performance Clearance

Paying Agency

Annual Performance Report (16/10/n-2 – 15/10/n-1)

Obligation to send justifications for deviations between **reported and planned unit rates >50%**

Sufficient
No action

Insufficient
Art 38(2) applies

Possible Suspension

Possibility (1st) to send details and/or justifications as regards variations between **reported and planned unit rates <50%**

15/02/n
Art 63 FR

Commission

Annual Performance Clearance
Assessment of the APR

Sufficient details and/or justifications – no action

No justifications or insufficient – Art 52(2) applies

Possibility (2nd) to send justifications for deviations at Commission request

Sufficient
No action

Insufficient
Reduction decision

15/10/n
Art 52(1) HZR

European Commission

Flexibility in the system

- Area- and Animal-based interventions
  - Annual financial allocation indicative (art 88 SPR)
  - Upper variation from the planned unit amount (art 89 SPR)
  - Planning, reporting and clearing expenditure for intervention at a level of unit amount (minimizes risk of variations)
  - Flexibility in moving funds between interventions if necessary (if more or less outputs than planned)
  - EAFRD interventions - flexibility between the years
  - Correctly used in the IT system –> no risk to pay more than planned + upper variation

Flexibility in the system

- Non Area-/Animal-based interventions
  - Annual financial allocation indicative (art 88 SPR)
  - Planning, reporting and clearing expenditure for intervention at a level of unit amount (minimizes risk of variations)
  - PRES option 1 – provides flexibility
    - Average committed amounts of selected operations per call and per year becomes a new benchmark
    - Commission compares realized unit amount to new benchmark in performance clearance

Flexibility in the system

- Flexibility in timing for providing details and justifications for deviations
  - 1st occasion – in the APR (obligation for >50%)
  - 2nd occasion – in reply to Commission letter under Art 52(2)

RESULT

Unjustifiable deviations and consequently reductions should be exceptional

Details in the APR vs justifications

Details

- Details would be mostly **<u>quantitative</u>**
- Intervention **planning and reporting** at the level of unit amount
  - Allows to minimize variations in unit amount in view of differences in population
- In option 1 – specification of calls, from which the operations come from
  - Big/small projects in one call influencing significantly variation between average selected/reported unit amounts
- Keep as aggregated as possible/efficient in view of MS size/structure

Justifications

- Justifications would be mostly **<u>qualitative</u>**
- Variations not justified by the differences in the population (planned/reported), e.g.
  - Differences in the scope of projects – planned vs finally realized
  - Difference between the awarded amount and realization (e.g. scope, appeal from award procedure)

European Commission

Common characteristics of justifications

- In the Non-paper on the content of the Annual Performance Report (WK 3453/2019)
- **Relevant**
  - Directly relating to the expenditure not covered by outputs indicators
  - Not general and broad statements
  - referring to the period for which issues have been found
- **Objective** and based on **verifiable** numbers
  - e.g. for outputs sizes of projects in the calls for application published in particular year
  - **Proportioned** to the observed variation
- **Taking into account** and describing the extent and effects of the possible corrective **actions already taken** by the Member State
  - especially important in case of >50%, to avoid suspension
- **Verifiable** by the **Certification Body**

Suspensions vs Reductions in Performance Clearance
(WK 11877/2018)

Suspensions (art 38)

- For the **future**
- Done when the Commission doesn't have **ex-ante assurance** that the expenditure will be spent correctly
- **Proportionate** to the level ex-ante assurance 'lost'
- Lifted once ex-ante assurance is re-established through **appropriate execution**

Reductions (art 52)

- For the **past** (expenditure already declared)
- Done when the Commission has no **ex-post assurance** that the expenditure is matched by corresponding output
- For the entire amount of ineligible expenditure
- Can be alleviated/avoided by providing **details** and appropriate **justifications**

Annual Performance clearance

Audit of Member States' performance	Type of finding	Follow-up / Result

Verification of the correspondence of expenditure to outputs, (Art 35 and Art 11(1)(c) HZR)

- No discrepancy or deviation with duly justified explanation → No further steps
- Discrepancy without justified explanation → Art 52 letter to MS to provide additional justifications → No further steps / Possible reduction decision by 15/10 (n+1) (Art 52)

Also a possible suspension if discrepancy higher than 50% (Art. 38(2) HZR)

Review and evaluation of the governance systems (Art 11(1)(b) and Art 2 HZR)

- Governance systems function properly → No further steps
- Serious weaknesses in Governance systems → Exchange with the MS regarding deficiency → No further steps / Conformity may be procedure launched (Art 53)

Also a possible suspension if there are serious deficiencies in governance systems (Art. 40 HZR)