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GUIDELINE No 4

GUIDELINES FOR THE CERTIFICATION AUDIT OF THE EAGF/EAFRD ACCOUNTS – FY2023

**THE MANAGEMENT DECLARATION AND THE ANNUAL SUMMARY OF FINAL
AUDIT REPORTS AND OF CONTROLS CARRIED OUT**

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SECTION A : MANAGEMENT DECLARATION – PAYING AGENCY

Purpose

This document aims at giving guidance on the Management Declaration (hereinafter referred to as MD) to be provided by each director of a paying agency (hereinafter referred to as PA) pursuant to Article 9(3)(d) and Article 90(1)(c)(iii) of Regulation (EU) 2021/2116 of the European Parliament and of the Council¹. It sets out the applicable legal provisions and provides recommendations from the Commission services in view of ensuring that the MDs are drawn up on the basis of comparable criteria.

The document is of purely recommendatory nature and does not call into question that the director of each PA is responsible for drawing up the MD and, in particular, deciding whether to make any reservations on it.

1. BACKGROUND

1.1. Legislative environment

Pursuant to Article 90(1)(c)(iii) of Regulation (EU) 2021/2116 of the European Parliament and of the Council, Member States are required to send to the Commission the annual accounts of each of their PAs together with a MD signed by the person in charge of it.

According to the second subparagraph of Article 4(1) of Commission Implementing Regulation (EU) 2022/128, the MD of the PA shall be drawn up in due time for the CB to issue its opinions. It shall also be in the form set out in Annex I. It may be qualified by reservations quantifying the potential financial impact. In the event that reservations are expressed, the declaration shall include a remedial action plan and a precise time frame for its implementation.

The MD shall be based on an effective supervision of the management and control system in place throughout the year. As provided for in Article 12(2) of Regulation (EU) 2021/2116, the Certification Body's (CB) opinion, in addition to several elements to establish

- the true and fair view given by the annual accounts of the PA,
- the proper functioning of its governance systems,
- the performance reporting on the output indicators and on result indicators,
- the legality and regularity of the expenditure for certain measures,

shall also state whether the examination calls into question the assertions made in the MD. As presented in Article 10(3) of Regulation (EU) 2021/2116, the annual performance report (APR) shall be covered by the scope of the opinion referred to in Article 12(2) and it shall be submitted to the Commission together with a MD covering the compilation of the entire report.

¹ OJ L 435 6.12.2021, p. 187

1.2. Timing

According to Article 33 of Commission Implementing Regulation (EU) 2022/128 the documents shall be sent to the Commission by 15 February of the year following the end of the financial year to which they relate.

1.3. Signing

The MD of the PA, and any reservation(s), shall be signed respectively by the director of the PA. This task cannot be delegated. Only the signature of the director of the PA is required, not several signatures for different parts of the MD by the person responsible for these parts within the PA. In case the director of the PA has changed during or after the financial year, the MD should be signed solely by the director heading the PA at the time of signature of the MD, due on 15 February. Transmission and Format

The MD should be named "MD_PAXY.*" whereas PAXY indicates the Member State's PA code (e.g. MS01). The document should include the MD as such as well as :

- Annex I on the "Annual summary of the final audit reports and of controls carried out";
- Annex II on the "Documents and work performed which form the basis of the MD";
- Annex III on "Reservations and the monitoring of progress in implementation of Action plans";
- Annex IV on the "Analysis on the performance reporting";
- Annex V on the "Analysis of control statistics per scheme/measure";
- Annex VI on the "Analysis of the error rates per population".

It should be uploaded directly in electronic format into the data exchange system to be used for this clearance exercise.

1.4. Text of the Management Declaration (Paying Agency)

MANAGEMENT DECLARATION – Paying Agency

as referred to in Article 4²

I, ..., Director of the ... Paying Agency, present the accounts for this Paying Agency for the financial year 16/10/xx to 15/10/xx+1.

I declare, based on my own judgement and on the information at my disposal, including, inter alia, the results of work of the internal audit service, that:

— the accounts presented give, to the best of my knowledge, a true, complete and accurate view of the expenditure and receipts for the financial year referred to above. In particular, all debts, advances, guarantees and stocks known to me have been recorded in the accounts,

² The text is under revision.

and all receipts collected relating to the EAGF and the EAFRD have been properly credited to the appropriate funds;

— I have put in place a system which provides reasonable assurance:

- i. that payments are legal and regular as regards the measures laid down in Regulations (EU) No 1308/2013, (EU) No 228/2013, (EU) No 229/2013 and (EU) No 1144/2014;*
- ii. that the governance systems as referred to in Article 9(3), first subparagraph, point (d)(ii), of Regulation (EU) 2021/2116 are functioning properly and ensure that the expenditure was made in accordance with Article 37 of that Regulation;*
- iii. on the quality and reliability of the reporting system and of data on indicator as regards types of interventions referred to in Regulation (EU) 2021/2115 and that the expenditure matches the corresponding reported output and that it has been effected in accordance with the applicable governance systems.*

The expenditure entered in the accounts was used for its intended purpose, as defined in Regulation (EU) 2021/2116.

Furthermore, I confirm that effective and proportionate anti-fraud measures under Article 59 of Regulation (EU) 2021/2116 are in place and take account of the risks identified.

That assurance is, however, subject to the following reservations:

Finally, I confirm that I am not aware of any undisclosed matter which could be damaging to the financial interest of the Union.

Signature

As regards the text of the MD indicated above, the following information is required:

- the name of the director and the name of the PA. It is of particular importance that it is only the director's name that appears in the text and that it is he or she who actually signs the MD;
- the financial year in question.

2. BASIS FOR THE MANAGEMENT DECLARATION

As indicated above and in Article 4(2) of Regulation (EU) 2022/128, the MD of the PA shall be based on the effective supervision of the management and the control system in place.

The director of the PA is responsible for setting up an internal structure of the PA which ensures that all the relevant information reaches him or her in a timely manner in order for him/her to prepare the required declaration. Not only the work and conclusions of the internal audit service should be considered but also the contributions of all other departments. In addition, the director of the PA should not base his or her conclusions for the MD exclusively on the work carried out by the CB according to Article 5 of Commission Implementing Regulation (EU) 2022/128. Any findings communicated during the work carried out by the CB should however be taken into account by the director. In particular, actions undertaken by the PA, as well as the conclusion of the CB in respect of previous years are a valid source of information for the drafting of the MD.

As the payments for a part of the EAGF Non-IACS measures should be legal and regular and as the expenditure for the interventions under Regulation (EU) 2021/2115 should be effected in accordance with the applicable Union rules and the respective CAP Strategic Plan, it is essential that the director discloses the basis on which the MD has been established. Therefore, each MD should be accompanied by the list set out in Annex II informing about the documents and work performed which formed the basis for the MD. This list should be limited to a brief description of the subject matter of the respective document. It should not include a summary of the content of the document nor should the document as such be attached to the MD. Similar information should be given on the work performed by the director of the PA before signing his statement. In addition, the MD should be accompanied by an analysis of the performance reporting systems in place at the PA. Annex IV will list any significant deficiency affecting the quality and reliability of the reporting system and of data on indicator as regards types of interventions referred to in Regulation (EU) 2021/2115 or having hindered the reconciliation between expenditure and output. It could further detail any justifications already provided in the APR if considered necessary. Especially when the APR is compiled by the Coordinating Body, the Paying Agency may include some further explanations on deviations between planned and realised unit amounts linked to system deficiencies related to the governance systems of that Paying Agency.

Moreover, taking into account Article 14 of Regulation (EU) 2022/1173³, the director of the PA is asked to complete the tables set out in Annex V and VI by providing an analysis of the control statistics (including any controls at second level⁴) which have to be reported to the Commission⁵ and analysis of the error rates at population level. In a limited number of cases that are defined in Annex No VI of the present guideline, further explanations are expected.

The PA's annual management reports summarizing the results of the on-the-spot checks (OTSC) per scheme/measure could also be used as a source of information for filling in Annex I. However, if the major deficiencies and the extent of weakness discovered on the basis of the on-the-spot checks are already included in Annex VI of the MD and the remedial actions are explained, these do not need to be included in Annex I. PAs are expected to include information regarding major deficiencies in the OTSC in Annex I only if these are not already provided in Annex VI.

³ Implementing Regulation (EU) No 809/2014 is repealed with effect from 1 January 2023. However, it shall continue to apply to:

- (a) aid applications for direct payments lodged before 1 January 2023;
- (b) payment claims made in relation to support measures implemented under Regulation (EU) No 1305/2013;
- (c) the control system and administrative penalties as regards rules on cross-compliance.

⁴ e.g. controls carried out and/or re-performed by the internal audit service of the PA.

⁵ The analysis of control statistics should include all schemes/measures paid during the financial year. Thus, it not limited to the control statistics to be provided by 15 July of each year under Article 9 of Regulation (EU) No 809/2014. The corresponding provisions of the implementing rules for market measures should also be taken into consideration- e.g. Article 19(5) of Regulation 1150/2016. In addition, internal reporting should also be taken into account irrespective of whether there are official control statistics to be submitted to DG AGRI or not.

3. RESERVATIONS

3.1. General specifications

As mentioned above, it is the sole responsibility of the director of the PA to define and disclose the criteria used for deciding whether to qualify the MD with reservations.

However, where there are significant deficiencies in a national control system, either based on weaknesses found by the PA's own monitoring systems, or based on EC or ECA audits, and the resulting risk is material, reservations should be considered. Deficiencies are significant if **all of the following three conditions** are fulfilled:

- the examination of the qualitative aspects indicates serious deficiencies in the governance systems for the expenditure under Regulation (EU) 2021/2115 as further explained in point 3.2 below or indicates significant deficiencies in the national control system for the market measures under Regulation (EU) 1308/2013 **and**
- the amount of undue payments is estimated to exceed 2 % of the total payments made in the financial year in question under any of the populations referred to in point 3.3.2 below **and**
- it has not been possible to counter the impact of the deficiencies by corrective measures (point 3.4 below).

In the case where, at the end of the financial year in question, the director of a PA foresees that he/she is likely to make a reservation, he/she is invited to inform the Commission of his/her intentions already at the beginning of November following the end of the financial year concerned. The Commission Services will then provide further guidance and organise an exchange of view with the PA concerned. Any such guidance and exchange, however, may in no way affect the director's sole responsibility for deciding whether to qualify the MD by any reservation.

Where a reservation is made, the director is required to prepare an action plan to remedy the weaknesses that led to the reservation, indicating an estimated date for the implementation of the corrective measures. The action plans established in relation to the reservations given by the director and as regards the reservations in DG AGRI Annual Activity Report, should be reported in Annex III to the MD. This annex should also include information on the progress made in implementing the corrective measure and on any possible delays incurred.

3.2. Qualitative aspects

A reservation should be considered in case of serious deficiencies in the proper functioning of the governance systems as regards interventions referred to in Regulation (EU) 2021/2115, meaning the existence of a systemic weakness, taking into account its recurrence, gravity and compromising effect on the correct declaration of expenditure, the reporting on performance, or the respect of Union law. A reservation should equally be considered in case of significant deficiencies in the national control system as regards expenditure outside the CAP Strategic Plan. In respect of this expenditure, 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.

The components to be taken into account in this context include both the general requirements pertaining to the accreditation of the PA, the specific requirements of the

relevant sector-specific regulations⁶, and the quality and reliability of the reporting system and of data on indicators for interventions referred to in Regulation (EU) 2021/2115. With regard to the performance reporting, the serious deficiencies observed should be reported in the Annex IV to the MD.

When assessing any deficiencies, in the framework of the Guidelines on the calculation of financial corrections⁷, the following factors should be taken into account:

- the number of such deficiencies;
- the duration of such deficiencies;
- special factors increasing the reputational risk for the PA;
- the existence of compensatory measures at PA level which effectively reduce the identified risk.

3.3. Quantitative aspects

3.3.1. Interventions referred to in Regulation (EU) 2021/2115

A reservation should be considered in case of serious deficiencies affecting the governance systems (including the reporting system) or the correctness of the performance reporting (in particular with regard to the completeness, accuracy and proper reporting of the data).

As regards the annual performance report where the reconciliation of expenditure (gross expenditure) to the expenditure declared in the annual accounts (net expenditure), results in differences or where significant deviations in realised unit amount compared to planned are reported in the APR and would require further explanations compared to the justification already provided in the APR, the Paying Agency should report in Annex IV the parts of the annual performance report concerned by the discrepancies, the indicators, the amounts concerned and further justifications.

3.3.2. Expenditure outside the CAP Strategic plan

For populations still covered by the audit of legality and regularity of expenditure at beneficiary level, i.e. the expenditure outside the CAP strategic plans, control statistics will remain a key aspect to consider. A reservation should be considered if the amount of undue payments is estimated to exceed 2 %⁸ of the total payments made in the financial year in

⁶ As regards the serious deficiencies affecting the basic union requirements, see the new Guidelines on the calculation of financial corrections.

⁷ Under revision

⁸ Solely exceeding the threshold of 2% should not lead automatically to a reservation. All criteria indicated in this guideline should be taken into account: only in cases e.g. where there is a significant deficiency in a control system and it has not been possible to counter the impact of the deficiency by corrective measures should lead to a reservation.

question. For FY2023, as indicated in Guideline 2 for FY2023, section 18, which refers to the Guideline 2⁹ for FY2022, the populations are the following

- (1) schemes under EAGF covered by the IACS, i.e. support schemes under EAGF as per Annex I of Regulation (EU) No 1307/2013 of the European Parliament and of the Council as referred to in Article 67 of Regulation (EU) No 1306/2013 of the European Parliament and of the Council;
- (2) schemes under EAGF not covered by IACS, i.e. any other support scheme under EAGF;
- (3) schemes under EAFRD covered by IACS, i.e. support schemes under EAFRD referred to in Article 2 (1) (point 6) of Commission Delegated Regulation (EU) 640/2014;
- (4) schemes under EAFRD not covered by IACS, i.e. support schemes under EAFRD as set out in Annex IV of Regulation (EU) No 1305/2013 of the European Parliament and of the Council, excluding the measure under point 3 above covered by IACS.

3.3.3. Non-operational transactions

Additionally, the following populations are to be considered separately; they are to be compared to the closing balance of the previous financial year:

- (5) transactions related with the debtors' ledger,
- (6) transactions concerning advances/securities and
- (7) transactions regarding aid schemes for stocks.

It should be noted that the 2% threshold is only indicative. The director of the PA is not required to draw a representative sample. He/she may rely on all relevant information available within the PA, such as the control statistics, or the work carried out by the PA's internal audit services.

As regards the populations covering transactions related to the debtors ledger (5) a reservation is to be considered if the amount in error exceeds 2%⁶ of the closing balance (column t of Annex II table); concerning advances/securities (6) a reservation is to be considered if the amount in error exceeds 2%⁶ of the closing balance of advances and securities, respectively; and regarding aid schemes for stocks (7) a reservation is to be considered if the amount in error exceeds 2%⁶ of the value of outstanding stocks. The latter types of errors are usually of a pure accounting nature, and could therefore usually be corrected immediately after their detection.

It is underlined that the 2% threshold referred to above is not related to the concept of "tolerable errors".

3.4. Corrective measures

If deficiencies are detected, corrective measures should be implemented at PA level in order to counter the impact of these deficiencies, notably for populations (5), (6) and (7). A

⁹ Guideline 2 on the annual certification audit for FY2023.

reservation should be considered if such corrective measures are ineffective, for example due to lack of time. When possible, this should then also be reflected in the annual summary of the final audit reports and of controls carried out, an analysis of the nature and extent of errors and weaknesses identified in governance systems (Annex I of the MD) as referred to in Article 9(3)(c) of Regulation (EU) 2021/2116 of the European Parliament and of the Council.

4. REQUIREMENTS FOR REPORTING RESERVATIONS

Any reservation should be reported as follows:

- clear disclosure of the criteria used for making the reservation,
- a brief assessment of the cause (for example in terms of the operations of the PA, accuracy of the financial information, etc.), and the potential impact of the serious deficiency on the assurance provided in the MD;
- a quantification of the potential financial impact in monetary terms in line with Articles 14 and 15 of Regulation (EU) 2022/127 and the Guidelines on the calculation of financial corrections¹⁰;
- the remedial action plan and the timescale for its implementation if considered necessary.

As regards the timeline for corrective actions, where the deficiencies cannot be corrected before the next MD, the reservation should be repeated in the MD and the progress made in remedying the deficiencies reported. In extreme circumstances, it may prevent the director of the PA to provide the assurance required by Article 37 of Regulation (EU) 2021/2116 of the European Parliament and of the Council and Commission Implementing Regulation (EU) 2022/128.

5. ADDITIONAL REMARKS

In case any deficiencies are identified in the context of establishing the MD which do not fulfil the criteria for justifying a reservation but which, in the opinion of the director of the PA nonetheless constitutes an issue which should be brought to the attention of the Commission services, he/she is invited to identify and disclose this in a separate document attached to the MD.

¹⁰ Under revision

ANNEX No I: ANNUAL SUMMARY OF THE FINAL AUDIT REPORTS AND OF CONTROLS CARRIED OUT

This Annex provides an annual summary of the final audit reports and of controls carried out in the financial year covered by the MD. According to Article 9(3)(c) of Regulation (EU) 2021/2116 of the European Parliament and of the Council, by 15 February of the year following the financial year concerned, the person in charge of the accredited PA shall draw up an annual summary of the final audit reports and of controls carried out, an analysis of the nature and extent of errors and weaknesses identified in governance systems, as well as corrective action taken or planned, as provided for in Article 63(5), point (b), of the Financial Regulation. The final reports of the following bodies should be considered as a source of information for Annex I: the European Court of Auditors; the European Commission; the CB; the Internal Audit of the PA; the competent authority; other national audit bodies, etc.¹¹. The information provided should be limited to major findings and deficiencies, e.g. as defined in Guideline 3.

Reference to audit (including financial year concerned if applicable)	Audit body	Major findings/deficiencies identified; And analysis on the extent of the errors and of weaknesses in systems – financial impact	Corrective measure undertaken or planned Including the follow- up of financial impact (e.g. correction applied, amounts recovered to the Funds)	Timeframe for completion

¹¹ For example, the Commission's Letter of findings should be considered as a final report.

ANNEX NO II: Documents and work performed which form the basis of the MD

(1) Documents on which the MD has been established
(a) Title of the document [Brief description of the subject matter]
(b) Title of the document [Brief description of the subject matter]
(c) Title of the document [Brief description of the subject matter]
(d) ...
(2) Work performed on which the MD has been established
(a) Work performed [Brief description of the work performed]
(b) Work performed [Brief description of the work performed]
(c) Work performed [Brief description of the work performed]
(d) ...

ANNEX No III : RESERVATIONS AND THE MONITORING OF PROGRESS IN IMPLEMENTATION OF ACTION PLANS

Reservation	Budget line and Measure/Intervention concerned	Year first reported	Planned date of implementation	Status (Closed/ Ongoing)	Comments (in case implementation of corrective actions is still ongoing)

ANNEX No IV: QUALITY AND RELIABILITY OF THE REPORTING SYSTEM AND OF DATA ON INDICATOR

The director of the PA is asked to provide an analysis of quality and reliability of the reporting system and of data on indicator by completing the two tables below. The director should identify any serious deficiency observed in the governance systems (including the reporting system) and in the data on indicators, as presented in the following tables:

- 1) assessment of the quality and reliability of the reporting system;

Annual Performance Report's part concerned	Year first reported	Observation	Planned date of implementation or the corrective measure	Status (Closed/ Ongoing)	Comments (in case implementation of corrective actions is still ongoing)

2) Deviations reported in the APR relating to serious deficiencies and/or that would require further explanations in the context of Article 36 of Regulation (EU) 2022/128

Reported outputs and realised unit amounts concerned	Year first reported	Observation	Planned date of implementation or the corrective measure	Status (Closed/Ongoing)	Comments (in case implementation of corrective actions is still ongoing)

ANNEX NO V: Analysis of control statistics per scheme/measure

The PA is requested to provide the following details concerning all schemes/measures as per section 3.3.2 above paid during the financial year in question:

- If official control data/statistics exist for the scheme/measure in question (Yes/No);
- Date of the control data/statistics which were used as a basis for the MD;
- Total amount claimed (column “a”);
- Total amount subject to random on-the-spot check (column “b”) ¹²;
- Total amount at error before application of penalties as a result of admin controls and OTSC- this should be calculated as the difference between the amount claimed and the amount which the beneficiary was entitled to before application of penalties as a result of the administrative checks and on-the-spot-checks (OTSC) based on the random sample ⁹(column “c”).
- Error rate in % the financial year in question (column “d”);
- Error in EUR for the financial year in question (column “e”);

The total per population in columns “a”, “b”, “c” and “e” should be calculated as a sum.

In case the data reported in Annex V differ from the official control data/statistics reported to DG AGRI, the PA should include explanations as to the differences below the table.

¹² In case a random sample is not available, the analysis should be based on a reliable sample (please indicate in a footnote). The data/results should be comparable to the ones reported to DG AGRI in the respective control statistics.

(1) Population	Official control data/statistics available	Date of control data/statistics used as a basis for the MD	Total amount claimed [EUR]	Total amount subject to OTSC (only random if available) [EUR]	Total amount at error before application of penalties as a result of admin controls and OTSC (only random if available) ¹³ [EUR]	Error rate in financial year 201X [%]	Error per scheme/measure [EUR]
			a	b	c	d=c/b	e=d*a
Basic Payment Scheme/ Single Payment Scheme							
Greening Payment							
Young Farmers							
Small farmers scheme							
.....							
.....							
TOTAL EAGF – IACS¹⁴							
F&V Operational Programmes							

¹³ Sum of the amount not paid resulting from on-the-spot checks (excluding penalty elements) in relation to on-the-spot random selection

¹⁴ aid schemes under EAGF covered by the IACS, i.e. support schemes under EAGF established under Annex I of Regulation (EU) No 1307/2013 of the European Parliament and of the Council as referred to in Article 67 of Regulation (EU) No 1306/2013 of the European Parliament and of the Council

(1) Population	Official control data/statistics available	Date of control data/statistics used as a basis for the MD	Total amount claimed [EUR]	Total amount subject to OTSC (only random if available) [EUR]	Total amount at error before application of penalties as a result of admin controls and OTSC (only random if available) ¹³ [EUR]	Error rate in financial year 201X [%]	Error per scheme/measure [EUR]
			a	b	c	d=c/b	e=d*a
F&V Producer groups				¹⁵			
Wine Restructuring and conversion;							
POSEI (excluding direct aids and other))							
..... ¹⁶							
.....							
.....							
TOTAL EAGF Non-IACS ¹⁷							

¹⁵ If the EAGF Non-IACS scheme is not controlled randomly, the total amount covered by the OTSC should be reported

In cases where the individual measure allows to check only a percentage (sample of invoices) of the expenditure subject to OTSC (wine – promotion in third countries, promotion), this column should include the whole expenditure of the project (also invoices not checked via OTSC). Accordingly, column C should include the extrapolation of the error found in the sample to the whole expenditure of the project.

¹⁶ Exceptional support measures implemented during the financial year should also be reported per measure even if there are no control statistics associated.

¹⁷ Aid schemes under EAGF not covered by IACS, i.e. any other support scheme under EAGF.

(1) Population	Official control data/statistics available	Date of control data/statistics used as a basis for the MD	Total amount claimed [EUR]	Total amount subject to OTSC (only random if available) [EUR]	Total amount at error before application of penalties as a result of admin controls and OTSC (only random if available) ¹³ [EUR]	Error rate in financial year 201X [%]	Error per scheme/measure [EUR]
			a	b	c	d=c/b	e=d*a
Agri-environment-climate - Measure 10							
Organic Farming- Measure 11							
.....							
.....							
TOTAL EAFRD – IACS ¹⁸							
Knowledge transfer and information actions - Measure 01							
Advisory services, farm management and farm relief services - Measure 02							
.....							
.....							

¹⁸ aid schemes under EAFRD covered by IACS, i.e. support granted in accordance with Article 2 (1) (point 6) of Commission Delegated Regulation (EU) 640/2014. Under Article 67 of Regulation (EU) 1306/2013 of the Parliament and of the Council, IACS shall not apply to measures referred to in Article 28(9) of Regulation (EU) No 1305/2013. Nor shall it apply to, measures under points (a) and (b) of Article 21(1) of that Regulation as far as the establishment cost is concerned

(1) Population	Official control data/statistics available	Date of control data/statistics used as a basis for the MD	Total amount claimed [EUR]	Total amount subject to OTSC (only random if available) [EUR]	Total amount at error before application of penalties as a result of admin controls and OTSC (only random if available) ¹³ [EUR]	Error rate in financial year 201X [%]	Error per scheme/measure [EUR]
			a	b	c	d=c/b	e=d*a
.....							
TOTAL EAFRD Non-IACS¹⁹							

¹⁹ aid schemes under EAFRD not covered by IACS, i.e. support schemes under EAFRD as set out in Annex IV of Regulation (EU) No 1305/2013 of the European Parliament and of the Council, excluding the measure under point 3 above covered by IACS

ANNEX NO VI: Analysis of the error rates per population

The director of the PA is asked to provide an analysis of the error rates (including any controls at second level²⁰) by completing the two tables below. This analysis should include:

- 1) a general assessment of the quality of the control statistics, and
- 2) an overview of the error rates calculated per population which is to be calculated as a weighted average (the sum of column “e” per population divided by the sum of column “a” per population)

It should also include a comparison to the situation reported in the previous financial year (column “g”). In case the previous year’s error rate is not calculated as a weighted average, it should be re-calculated and presented this year in the table for comparison.

- | |
|--|
| (1) General assessment of the quality of the control statistics (including a comparison to the situation as it turned out to be in the previous financial year): |
|--|

Results of controls at second level :

Only in the following cases further explanations and an analysis of the underlying reasons as well as the any remedial actions taken are expected (see explanations in the table below):

- the error rate at population level in the current financial year is above 2%, or
- the comparison with the situation in the previous financial year shows that the deterioration varies by more than 100% in relative terms or 0,5% in absolute terms (classified as "significant") or
- the error rate at population level in the current financial year is implausibly low.

In cases, where the error rate at population level is below 2% and stable over the years, no further analysis is required.

Error rates should only be reported for populations, for which expenditure was paid during the financial year.

²⁰ See footnote 3: e.g. controls carried out and/or re-performed by the internal audit service of the PA.

(2) Population	Error rate in financial year 201X [%]	Error rate in previous financial year [%]	Explanations in the event of the three cases defined above, please indicate a) the reasons for each significant deterioration of the level of error: b) the remedial action which has been or will be taken at PA level:
	f=e/a	g	-
EAGF – IACS			
EAGF – non-IACS			
EAFRD – IACS			
EAFRD – non-IACS			

SECTION B: MANAGEMENT DECLARATION – COORDINATING BODY

Purpose

This document aims at giving guidance on the Management Declaration (hereinafter referred to as MD) to be provided by each director of a coordinating body (hereinafter referred to as CoB) pursuant to Article 10(3) Regulation (EU) 2021/2116 of the European Parliament and of the Council²¹. It sets out the applicable legal provisions and provides recommendations from the Commission services in view of ensuring that the MDs are drawn up on the basis of comparable criteria.

The document is of purely recommendatory nature and does not call into question that the director of each CoB is responsible for drawing up the MD and, in particular, deciding whether to make any reservations on it.

1. BACKGROUND

1.1. Legislative environment

Pursuant to Article 90(1)(c)(iii) of Regulation (EU) 2021/2116 of the European Parliament and of the Council, Member States are required to send to the Commission, when a CoB is designated, the annual performance report referred to in paragraph 1, point (b), of this Article shall be submitted to the Commission together with a management declaration by the CoB, covering the compilation of the entire report.

As presented in Article 10(3) of Regulation (EU) 2021/2116, the annual performance report shall be covered by the scope of the opinion referred to in Article 12(2) and it shall be submitted to the Commission together with a management declaration covering **the compilation of the entire report**. According to the second subparagraph of Article 4(1) of Commission Implementing Regulation (EU) 2022/128, the MD of the CoB shall be drawn up in due time for the CB to issue its opinions.

It is important to note that the Management Declaration of the Coordinating Body does not have to summarise the reservations on serious deficiencies and/or systemic issues reported at Paying Agency level in the Management Declarations. However, if a serious deficiency leads to deviations in the indicators reported in the APR at national level the Coordinating Body will need to consider it for establishing its MD. It shall also be in the forms set out in Annex II to this Regulation. It may be qualified by reservations quantifying the potential financial impact. In the event that reservations are expressed, the declaration shall include a remedial action plan and a precise time frame for its implementation.

1.2. Timing

According to Article 33 of Commission Implementing Regulation (EU) 2022/128 the documents shall be sent to the Commission by 15 February of the year following the end of the financial year to which they relate.

²¹ OJ L 435 6.12.2021, p. 187

1.3. Signing

The MD of the CoB, and any reservation(s), shall be signed by the director of the CoB. This task cannot be delegated. Only the signature of the director of the CoB is required, not several signatures for different parts of the MD by the person responsible for these parts within the PA. In case the director of the CoB has changed during or after the financial year, the MD should be signed solely by the director heading the CoB at the time of signature of the MD, due on 15 February.

1.4. Transmission and Format

The MD should be named "MD_XY00.*" whereas XY00 indicates the Member State's Coordinating Body code (e.g. MS00). The document should include the MD as such as well as Annex I on the "Documents and work performed which form the basis of the MD", Annex II on "Reservations and the monitoring of progress in implementation of Action plans" and Annex III on "Performance reporting deficiencies". It should be uploaded directly in electronic format into the data exchange system to be used for this clearance exercise.

1.5. Text of the Management Declaration (Coordinating Body)

MANAGEMENT DECLARATION - Coordinating Body

as referred to in Article 4

I, ..., Director of the ... Coordinating Body, present the annual performance report for (Member State) for the financial year 16/10/xx to 15/10/xx+1.

I declare, based on my own judgement and on the information at my disposal, including, inter alia, the results of work of the certification body, that:

— the annual performance report referred to in Article 54(1) of Regulation (EU) 2021/2116 and Article 134 of Regulation (EU) 2021/2115 has been compiled following the accredited procedure and systems in place at the coordinating body and based on the certified data provided by the paying agencies (.....list) in (Member State).

That assurance is, however, subject to the following reservations:

Finally, I confirm that I am not aware of any undisclosed matter, which could be damaging to the financial interest of the Union.

Signature

As regards the text of the MD indicated above, the following information is required:

- the name of the director and the name of the CoB. It is of particular importance that it is only the director's name that appears in the text and that it is he or she who actually signs the MD;
- the financial year in question.

2. BASIS FOR THE MANAGEMENT DECLARATION

As indicated above and in Article 4(2) of Regulation (EU) 2022/128, the MD of the CoB shall be based on the effective supervision of the management and the control system in place. In this respect, the CoB is to signal any serious deficiencies affecting the governance systems in place at the Member State level leading to deviations in the APR.

The director of the CoB is responsible for setting up an internal structure of the CoB which ensures that all the relevant information reaches him or her in a timely manner in order for him/her to prepare the required declaration. Any findings communicated during the work carried out by the CBs at PA level could be taken into account. In particular, actions undertaken by the CoB, as well as the conclusion of the CBs in respect of previous years are a valid source of information for the drafting of the MD.

According to Article 10(2)b of Regulation (EU) 2021/2116 of the European Parliament and of the Council, by 15 February of the year following the financial year concerned, the person in charge of the accredited CoB shall supply to the Commission the annual performance report referred to in Article 54(1) of Regulation (EU) 2021/2116 and Article 134 of Regulation (EU) 2021/2115. The annual performance report shall be submitted to the Commission together with a management declaration covering the compilation of the entire report.

3. RESERVATIONS

3.1. General specifications

As mentioned above, it is the sole responsibility of the director of the CoB to define and disclose the criteria used for deciding whether to qualify the MD with reservations.

However, where there are serious deficiencies in the performance reporting system, either based on weaknesses found by the CoB's own monitoring systems, or based on EC or ECA audits, and the resulting risk is material, reservations should be considered.

In the case where, at the end of the financial year in question, the director of a CoB foresees that he/she is likely to make a reservation, he/she is invited to inform the Commission of his/her intentions already at the beginning of November following the end of the financial year concerned. The Commission Services will then provide further guidance and organise an exchange of view with the CoB concerned. Any such guidance and exchange, however, may in no way affect the director's sole responsibility for deciding whether to qualify the MD by any reservation.

Where a reservation is made, the Director is required to prepare an action plan to remedy the weaknesses that led to the reservation, indicating an estimated date for the implementation of the corrective measures. The action plans established in relation to the reservations given by the Director and as regards the reservations in DG AGRI Annual Activity Report, should be reported in Annex II to the MD. This annex should also include information on the progress made in implementing the corrective measure and on any possible delays incurred.

3.2. Aspects to consider for a reservation

A reservation should be considered in case of serious deficiencies :

- in the compilation of the Annual performance report;

- in the reporting system in place in the Member State for which the components to be taken into account in this context include also the general requirements pertaining to the accreditation of the CoB as per guideline 1 on accreditation²²;
- in the governance systems by the PAs that is affected at national level;
- in the implementation of the CAP Strategic Plan that results in deviations in the performance as reported in the APR.

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;
- the existence of compensatory measures at national level which effectively reduce the identified risk.

3.3. Corrective measures

Following article 10(1)(c) of Regulation (EU) 2021/2116, the CoB shall be assigned with the task to take or coordinate actions with a view to resolving any deficiencies of a common nature, when there is more than one PA.

If deficiencies are detected, corrective measures should be implemented level in order to counter the impact of these deficiencies. A reservation should be considered if such corrective measures are ineffective, for example due to a lack of time.

4. REQUIREMENTS FOR REPORTING RESERVATIONS

Any reservation should be reported as follows:

- clear disclosure of the criteria used for making the reservation,
- a brief assessment of the cause, and the potential impact of the serious deficiency on the assurance provided in the MD;
- the remedial action plan and the timescale for its implementation.

As regards the timeline for corrective actions, where the deficiencies cannot be corrected before the next MD, the reservation should be repeated and the progress made in remedying the deficiencies reported. In extreme circumstances, it may prevent the director of the CoB to provide the assurance required by Article 37(1)(b)(ii) of Regulation (EU) 2021/2116 of the European Parliament and of the Council and Commission Implementing Regulation (EU) 2022/128.

²² Guideline for Accreditation (Paying Agency And Coordinating Body) – Ares(2023)104350 dated 6.1.2023

5. ADDITIONAL REMARKS

In case any deficiencies are identified in the context of establishing the MD which do not fulfil the criteria for justifying a reservation but which, in the opinion of the director of the CoB nonetheless constitutes an issue which should be brought to the attention of the Commission services, he/she is invited to identify and disclose this in a separate document attached to the MD.

DRAFT

ANNEX NO I: Documents and work performed which form the basis of the MD

(3) Documents on which the MD has been established
(a) Title of the document [Brief description of the subject matter]
(b) Title of the document [Brief description of the subject matter]
(c) Title of the document [Brief description of the subject matter]
(d) ...
(4) Work performed on which the MD has been established
(a) Work performed [Brief description of the work performed]
(b) Work performed [Brief description of the work performed]
(c) Work performed [Brief description of the work performed]
(d) ...

ANNEX No II : ANNUAL PERFORMANCE REPORT – RESERVATIONS

Reservation	PA concerned	Annual Performance Report's part concerned	Year first reported	Planned date of implementation	Status (Closed/ Ongoing)	Comments (in case implementation of corrective actions is still ongoing)