

PRIME MINISTER'S OFFICE

**Preparing for closure and EC
closure rules for past and current
programmes**

Judit Lakner



- General principles for past programme closures
- Planning for closure, preparation of Managing Authorities and stakeholder bodies
- Submission and content of closure documents, payment of final balance
- EC guidance for closure
- Phased, non-functioning and suspended operations



Closure process in Hungary 2007-2013

Institutional background

- **15 OPs (8 national OPs + 7 territorial OPs)**
- **25,7 billion EUR**
- **52.700 projects**
- **6 MAs**
- **1 CA**
- **1 AA**
- **Central coordination**
- **Central database from submission of projects to project closure**



Closure process in Hungary

2007-2013 - 1.

- CLOSURE WORKGROUP (2013 April)
MAs, CA, AA
- COMPILING MS LEVEL CLOSURE GUIDANCE (2013 July)
Main tasks of the national authorities
Phasing guideline as annex
Updated 4 times
- Project level closure: above the threshold stated by MAs,
closure in groups + sampling



Closure process in Hungary 2007-2013 - 2.

ACTION PLAN (2015 January)

- Processing of delays
- Launching calls
- Review and elimination of reserve lists
- OP amendments (where necessary)
- Contracting
- Secure human resources



Closure process in Hungary 2007-2013 - 3.

- OP level workgroups
- OP level guidances
- IT developments
- Informing beneficiaries



Tasks scheduled

- Beneficiaries: paying invoices
submission of closing payment application
 - MA: Submission of the final implementation report to the Monitoring Committee and to the AA
 - CA: Closure of objections and irregularities to be inserted into the final implementation report
 - AA: Closure related controls: Fulfillment of action plans of previous audits, audit of irregularity procedures
-



After submission

- Response to EC comments
- Closure of ongoing audits, irregularity processes
- Amend FIRs
- Non-functioning projects
- Pre-closure or closure?
- Monitoring the process (EC comments received, issues of contention, EC closure letter received, absorption rate, balance paid by EC, date of OP closure)



Lessons learnt – Resources

- It takes time and resources
- Labour intensive, loss of experienced staff, fluctuation
- Organisational changes
- Good data management is key
- Closure process parallel with the new period



Lessons learnt – Financial

- Strong focus on financial aspects
- Reconciliation is the most difficult
- Irregularities and recoveries
- Closing audit recommendations
(project, programme, internal audit, commission, ECA)
- Overbooking is important



Lessons learnt – Co-ordination

- Co-ordination the closure tasks of different OPs
- Need to share information
- Need to respect each other's needs and timelines
- Joint effort, whilst respecting segregation of responsibilities



Lessons learnt – Scheduling

- Start early
- Plan spare time
 - internal national reconciliation
 - correct mistakes
 - necessary measures
- Agreed time line with MA / CA / AA



Lessons learnt – Audit

- The content of documents is constantly changing, follow-up, multiple examination of data consistency
- Audit work vs time pressure
- Significant control overcapacity
- Serious additional burden on the institutional system
- Issuing final declarations in parallel for all OPs

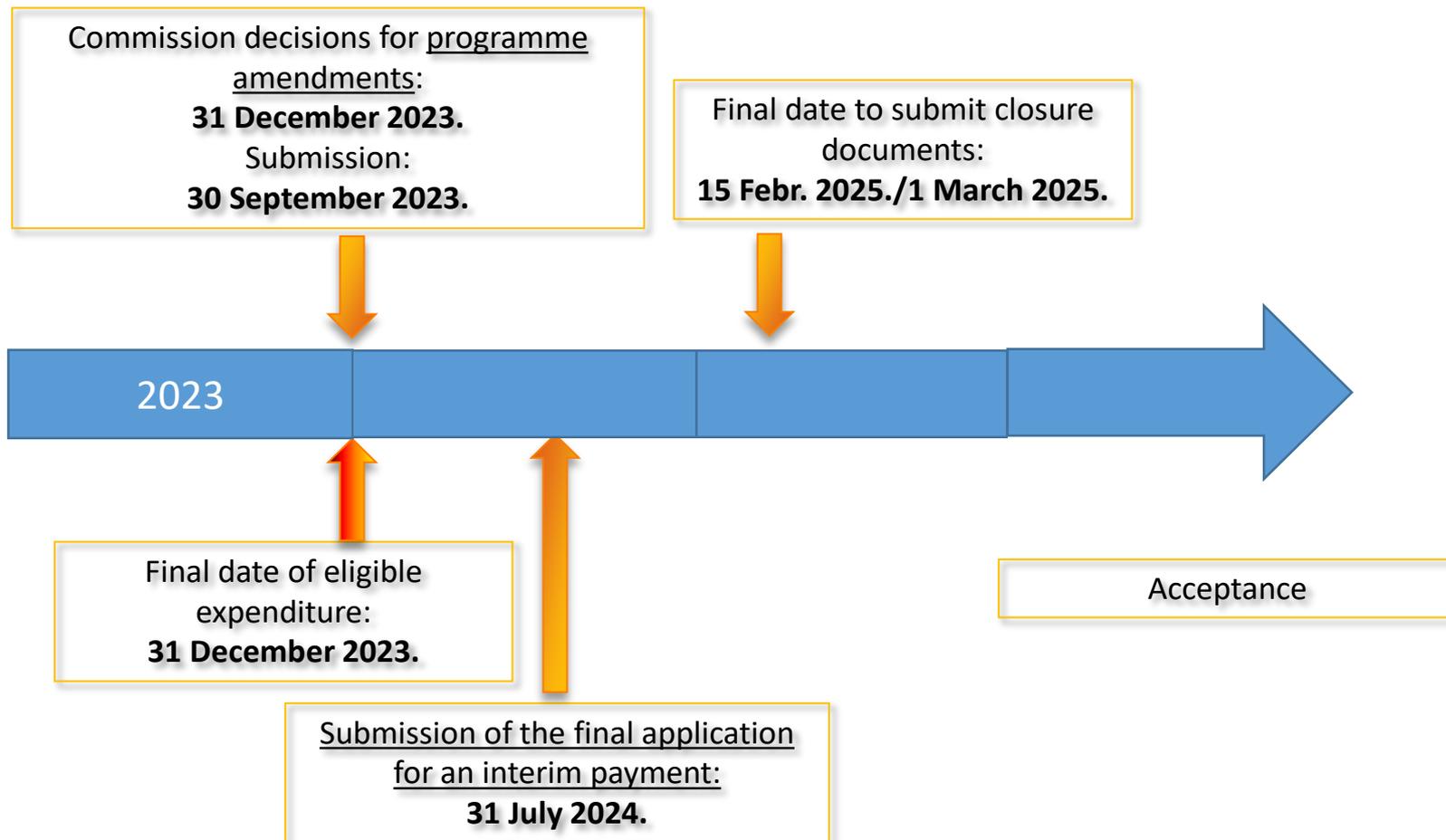


Closure 2014-2020

EC guidance for closure

Draft, presented in 49th EGESIF, March 2021

Apply to ERDF, ESF, CF, EMFF





Financial corrections 1.

- Performance framework: a serious failure to achieve the targets relating only to financial indicators, output indicators and key implementation steps;
 - 5%-25% depending on the achievement/absorption coefficient
- Non-functioning operations: outputs are not delivered by 15 February 2026
- Phased operations: failure to completion may give rise to financial corrections for both phases



Financial corrections 2.

- OLAF/Audit cases: including in the accounts
- Incomplete closure packs
- Reporting on major projects: any non-compliance of the implemented major project with the documentation supporting the Commission's approval

Closure of the programme is without prejudice to the Commission's right to impose financial corrections



Amendment of programmes REACT-EU

Requests for amendments for 2021 and 2022 involving a transfer between ERDF and ESF - 15 November of the corresponding year; decision: 31 December. Annual budgetary commitments for a given year cannot be modified beyond 31 December of that year.



Overbooking

- Can be declared to COM in a subsequent accounting year or in the final accounting year.
- MS may consider declaring overbooked expenditure only in the final accounting year except:
 - a) they need to declare it in an earlier accounting year to replace irregular amounts detected; or
 - b) they modify the financing plan in accordance with the rules applicable to the programme amendments.



Indicators and performance framework 1.

MS should include in the FIR the following information on indicators:

- cumulative (annual for ESF): values for output and result indicators up to and including 2023.

ERDF and CF: output indicators

ESF outputs + result indicators, values will relate to operations that are co-financed by the programme;

- any issues affecting the performance of the programme, including the achievement of the targets;



Indicators and performance framework 2.

- ERDF and CF: 2023 values for the result indicators of the programmes, taken from statistics or priority specific information sources (e.g., surveys). Must encompass the contribution of the programme and other factors. They relate to all potential beneficiaries.
- Although the indicator achievement values should correspond to the situation on 31 December 2023, in practice, outputs delivered by the operations until the date of submission of the FIR can be reported in these documents.



Conditions of phasing (FAST-CARE amendments in force from 25.10.2022)

- operations selected for support from the 2014-2020 programs and started before June 29, 2022: the total cost of the operation exceeds EUR 1 million
- direct awarding by the MA, subject to a limited number of key conditions being met, ensuring full eligibility in 2021-27
- addition of separate intervention areas to cover phased operations that would otherwise not be eligible for support in the present period



- For phased operations, only outputs actually delivered by the phase included in the 2014-2020 programming period can be reported in the FIR. Other outputs (together with the related expenditure) must be reported under the 2021-2027 programming period.
- Failure to complete a phased operation as planned may give rise to **financial corrections** for both phases of the operation.
- COM will interrupt the retention period for the first phase until the retention period starts for the second phase (CPR Art. 140(1))



Non-Functioning Projects 1.

- As of **15 February 2026** all projects had to be complete and in use
- Claims for non-functioning projects could be included if:
 - Project value **> EUR 2 million**
 - Total value of non-functioning projects **< 10% of programme value**



Non-Functioning Projects 2.

- MSs should
 - with FIR, provide a list of the non-functioning operations included in the programme, using the template provided in Annex II
 - monitor the non-functioning operations and by 15 February 2026, provide COM with the necessary information



Non-Functioning Projects 3.

- Indicators: only outputs delivered based on the expenditure declared under the programme should be reported in the final implementation report of the programme. Outputs delivered by non-functioning operations will be assessed after 15 February 2026.



Non-Functioning Projects 4. What if not?

MS should provide COM with the amounts to be corrected and justification as to how the amounts were calculated.

COM will proceed with the recovery of the amounts concerned.

Replacing irregular amounts using overbooked expenditure (if available).

If COM disagrees, it may launch a financial correction procedure.

+ financial correction for a serious failure to achieve the targets selected for the performance framework.



Suspended operations 1.

- MS should decide whether or not to exclude from the accounts the expenditure for any operation affected by ongoing national investigations or suspended by a legal proceeding or by an administrative appeal having suspensory effect.

investigations carried out by national bodies different to the programme authorities (such as police investigations, judicial or criminal investigations)



Suspended operations 2.

- Suspension does not extend the final date of the eligibility
- No expenditure may be declared for operations after the submission of the final application for an interim payment for the final accounting year
- If operations are not excluded from the accounts for the final accounting year, MS should submit, with the FIR, a list of such operations using the template provided in Annex III to these guidelines.



Suspended operations 3.

MS must inform COM about the outcome of national investigations, legal proceedings and administrative appeals. Where irregularities are established, COM will proceed with recovery of the amounts concerned. Any irregular amounts may be replaced using overbooked expenditure (if available).



Irregularities

The accounts for any accounting year, including the final one, must include at the level of each priority and, where applicable, at the level of Fund and category of region:

- the amounts withdrawn and recovered during the accounting year;
- the amounts to be recovered at the end of the accounting year;
- the recoveries effected pursuant to durability; and
- the irrecoverable amounts



Treatment of irregularities in the final accounting year

- after 31 July 2024, no subsequent payment application can be submitted to the Commission
- any necessary deductions (notwithstanding the fact that they may refer to the expenditure declared in previous accounting years) must be carried out in the accounts for the final accounting year and reported in accordance with the model for the accounts.



Amounts to be recovered and irrecoverable amounts

MS may report

- amounts to be recovered and irrecoverable amounts relating to expenditure declared in the previous accounting years/in the final accounting year.
- amounts that have become amounts to be recovered or irrecoverable amounts after the end of the final accounting year but before submission of the closure documents.



Irregularities - expenditure already declared to COM – deadlines 1.

a) expenditure deducted from the accounts of an accounting year preceding the final accounting year: additional verifications must be finalised in time to enable the declaration of the expenditure at the latest in the final application for an interim payment for the final accounting year, for which the deadline for submission is 31 July 2024;



Irregularities - expenditure already declared to COM – deadlines 2.

- b) expenditure declared in the final accounting year: the decision should be taken at the moment of the submission of the accounts, for which the deadline for submission is 15 February 2025/1 March 2025.
- after closure: repay to the budget of EU, **but** can be replaced with overbooking



15% flexibility

CPR Art. 130 para (3)

- The contribution from the Funds or the EMFF must not exceed:
 - at the level of the priority per Fund and per category of region,
 - by more than **15%**, the contribution from the Funds or the EMFF for each priority per Fund and per category of region as set out in the COM decision;
 - at the level of the programme,
 - the eligible public expenditure declared; or
 - the contribution from each Fund and category of region to each programme as set out in the COM decision;

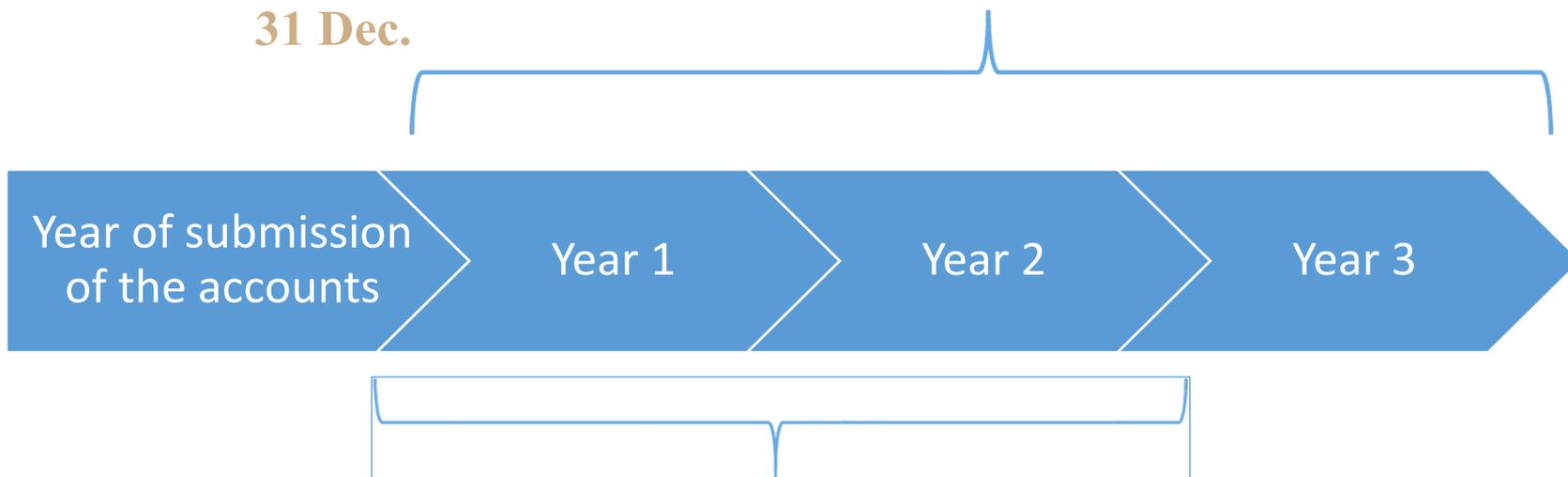
whichever is the lower.



Availability of documents

total eligible expenditure < EUR 1 M

31 Dec.



other operations



Interruptions

- Phasing: interruption of the retention period for the first phase of such operation until the retention period starts for the second phase
- Non-functioning project: until it is notified to the Commission as functioning
- Article 140(1) of the CPR



In the course of closure of 2007-2013 period, closure documents covered the entire period *at the end of the period*.

In 2014-2020, for each year from 2016 until and including 2025, Member States shall submit for the preceding accounting year:

- the accounts (Certifying Authority);
- the management declaration and the annual summary (Managing Authority)
- the audit opinion and the control report (Audit Authority)

For the final accounting year (from 1 July 2023 to 30 June 2024), the same documents have to be submitted.



Content of closure documents 1.

Final implementation report - MA

- Annex V to Commission Implementing Regulation (EU) 2015/207. and Annex X for ETC
- Annexes I-III. of EC guidelines

Accounts - CA

- Structure of the accounts is set out in Annex VII to Commission Implementing Regulation (EU) No 1011/2014

Management declaration and annual summary - MA

- Annex VI to Commission Implementing Regulation (EU) 2015/207



Content of closure documents 2.

Audit opinion and control report - AA

Annexes VIII and IX to Commission Implementing Regulation (EU) 2015/207. +

- information on open findings (COM or ECA);
- assurance on the legality and regularity of expenditure under financial instruments ;
- assurance on the reliability of the data relating to indicators;
- assurance that the amount of public expenditure paid to beneficiaries is at least equal to the contribution from the Funds paid by COM to MS



Submission

- Deadline: 15 February 2025, may be extended by COM to 1 March 2025.
- Failure to meet deadline will result in automatic decommitment of the part of the commitments still open on 31 December 2023. In such a case, closure of the programme will be carried out on the basis of the available information.
- COM may decide to impose a financial correction in such cases



Payment of the final balance

Will be paid

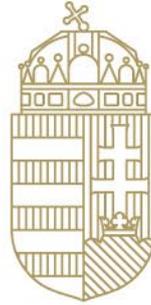
- not later than 3 months after the date of acceptance of the accounts for the final accounting year or
- 1 month after the date of acceptance of FIR, whichever date is later.

- COM may interrupt the deadline for payment of the final balance or suspend such payment.



After submission

- Draft any amendments to Final Implementation Report agreed with EC
- Answer queries from EC on Closure documents
 - Informal reconciliation with EC
- Manage “non-functioning projects” and report on progress to EC
- Monitor ongoing audits
- Monitor irregularities
- Close projects
- Retain records for 3/2 years after the end of the year of submission



PRIME MINISTER'S OFFICE

Thank you for your attention
