FINANCIAL FRAMEWORK PARTNERSHIP AGREEMENT

BETWEEN

THE EUROPEAN COMMISSION

AND

THE REPUBLIC OF TÜRKIYE

REPRESENTED BY

THE GOVERNMENT OF THE REPUBLIC OF TÜRKIYE

ON

SPECIFIC ARRANGEMENTS FOR IMPLEMENTATION OF UNION FINANCIAL ASSISTANCE TO THE REPUBLIC OF TÜRKIYE UNDER THE INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA III)

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The European Commission, hereinafter referred to as 'the Commission', acting for and on behalf of the European Union

on the one part,

and

the government of the Republic of Türkiye, acting on behalf of the Republic of Türkiye, hereinafter referred to as '**the IPA III beneficiary**'

on the other part,

and together, jointly referred to as '**the Parties**'

Whereas

(1) Regulation (EU) 2021/1529 of the European Parliament and of the Council[1] ('IPA III Regulation') constitutes the legal basis for the provision of financial assistance to the beneficiaries listed in Annex I to the IPA III Regulation ('IPA III beneficiaries').

(2) The IPA III Regulation aims to support the IPA III beneficiaries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with Union values and to progressively align to Union rules, standards, policies and practices ('*acquis*'), with a view to Union membership, thereby contributing to their stability, security and prosperity.

(3) According to Article 9(1) of the IPA III Regulation, Chapter III of Title II of Regulation (EU) 2021/947[2] ('NDICI Regulation'), except for Article 28(1) of that Regulation, shall apply to the IPA III Regulation.

(4) Article 130 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council[3] ('the Financial Regulation') allows the Commission to establish financial framework partnership agreements for a long-term cooperation with beneficiaries.

(5) On 15 December 2021, the Commission adopted a Commission Implementing Regulation (EU) 2021/2236 on the specific rules for implementing Regulation (EU) 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III)[4], (hereinafter referred to as "the IPA III Implementing Regulation") setting out the applicable management and control provisions.

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1 Regulation (EU) 2021/1529 of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-Accession assistance (IPA III) (OJ L 330, 20.9 2021, p. 1).

2 Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 446/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1).

3 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

4 Commission Implementing Regulation (EU) 2021/2236 on the specific rules for implementing Regulation (EU) 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III), OJ L 450/10, 16.12.2021, p. 10.

HAVE AGREED AS FOLLOWS:

SECTION I GENERAL PROVISIONS

Article 1 Interpretation

(1) Subject to any express provision to the contrary in this Agreement, the terms used in this Agreement shall bear the same meaning as attributed to them in the NDICI Regulation, the IPA III Regulation, and the IPA III Implementing Regulation.

(2) Subject to any express provision to the contrary in this Agreement, references to this Agreement are references to such Agreement as amended, supplemented or replaced.

(3) Headings in this Agreement have no legal significance and do not affect its interpretation.

Article 2 Partial invalidity and unintentional gaps

If a provision of this Agreement is or becomes invalid or if this Agreement contains unintentional gaps, the validity of the other provisions of this Agreement will not be affected. The Parties will replace any invalid provision by a valid provision or understanding which comes as close as possible to the purpose and intent of the invalid provision. The Parties will fill any unintentional gap by a provision or understanding which best suits the purpose and intent of this Agreement, in compliance with the IPA III Regulation and the IPA III Implementing Regulation.

Article 3 Definitions

For the purposes of this Agreement, the following definitions shall apply:

(a) 'programme' means an annual or multiannual action plan or measure as referred to in Article 9 of the IPA III Regulation and Chapter III of Title II of the NDICI Regulation;

(b) 'IPA III beneficiary' means one of the beneficiaries listed in the Annex I to Regulation (EU) 2021/1529;

(c) 'sectoral agreement' means an arrangement concluded between the Commission and an IPA III beneficiary for implementing a specific IPA III programme, setting out the rules and procedures to be respected, which are not contained in this Agreement or financing agreements;

(d) 'financing agreement' means an annual or multi-annual agreement concluded between the Commission and an IPA III beneficiary, for implementing the IPA III assistance;

(e) 'authority' means a public entity or body of an IPA III beneficiary or a Member State at central, regional or local level;

(f) 'major project' means a project comprising of a series of works, activities or services which is intended, in itself, to accomplish a definite and indivisible task of a precise economic or technical nature, which has clearly identified goals and whose total cost exceeds that which is specified in the respective sectoral or financing agreement;

(g) 'sustainability of IPA III assistance' means the extent to which the results generated and directly influenced by the financial assistance continue or are likely to continue after the implementation period of the action has come to an end;

(h) 'recipient' means a grant beneficiary (including a twinning contractor), contractor under service, supply or works contract, a beneficiary under cross-border cooperation programmes, a contracting party to a contribution agreement in indirect management or any natural or legal person receiving financial assistance;

(i) 'financial year' means the period from 1 January to 31 December of one given year as defined in Article 9 of the Financial Regulation.

Article 4 Purpose and scope

(1) In order to assist the IPA III beneficiary in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required to comply with Union values and to progressively align with Union rules, standards, policies and practices with a view to Union membership, the Parties agree to implement actions within the thematic priorities set out in Article 3(3) and (4) and in Annexes II and III of the IPA III Regulation, and to contribute to achieving the specific objectives listed in Article 3(2) of that Regulation.

(2) Programmes shall be financed and implemented within the legal, administrative and technical framework laid down in this Agreement and as further detailed in sectoral agreements or financing agreements, if any.

(3) The provisions laid down in this Agreement shall apply to programmes financed under the IPA III Regulation.

(4) The provisions laid down in this Agreement shall not apply to IPA III cross-border cooperation programmes between one or more IPA III beneficiaries and one or more Member States, transnational and interregional cooperation programmes, or measures that are established and implemented under Regulation (EU) 2021/1059 of the European Parliament and of the Council[5] ('Interreg Regulation'), unless a given financing agreement on such programmes explicitly refers to this Agreement or a specific provision thereof.

(5) The IPA III beneficiary's administration shall take all necessary steps to facilitate the implementation of the programmes.

(6) This Agreement shall apply to all sectoral and financing agreements concluded between the Parties for financial assistance under the IPA III Regulation.

Article 5 General principles for financial assistance under IPA III

(1) IPA III assistance shall be provided in accordance with the enlargement policy framework defined by the European Council and the Council and shall take due account of the Commission Communication on the Enlargement Strategy and reports included in the annual enlargement package of the Commission, as well as of the relevant resolutions of the European Parliament.

(2) The following principles to Union financial assistance under IPA III shall apply:

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5 Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (OJ L 231, 30.06.2021, p. 94).

(a) respect of the principles of coherence, complementarity, coordination, concentration, ownership, partnership, and 'do no harm'; compliance with the budgetary principles laid down in the Financial Regulation;

(b) consistency with Union policies and support to the progressive alignment to the EU *acquis*;

(c) the IPA III beneficiary shall ensure the sustainability of IPA III assistance;

(d) IPA III assistance shall take account of lessons learned under previous instruments for pre-accession assistance;

(e) IPA III assistance shall be provided in partnership with the IPA III beneficiary on the basis of IPA III programming framework, while ensuring that the ownership of the programming and implementation of IPA III assistance remains with the IPA III beneficiary;

(f) IPA III assistance shall ensure continuity with the sector approach, which has aimed to increase coherence between national strategies, sector policies, resource allocation and spending practices. Under IPA III, there will be continued focus on ensuring coherence between sectoral reforms and horizontal national policy planning, monitoring, reporting and public financial management frameworks;

(g) adequate visibility of IPA III assistance shall be ensured and promoted proactively;

(h) any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation shall be prevented during the implementation of assistance;

(i) assistance shall be planned, with clear and verifiable objectives, which are to be achieved within a given period. The results obtained should be assessed through indicators; such indicators should be relevant, accepted, credible, easy to monitor and robust (RACER) as well as specific, measurable, achievable, realistic and time-framed (SMART);

(j) IPA III assistance shall be differentiated in scope and intensity according to performance of the IPA III beneficiary, in particular as regards commitment to and progress in implementing reforms, as well as according to needs. In assessing the performance of the IPA III beneficiary and deciding on the assistance to be provided, particular attention shall be paid to the efforts made in the fields of the rule of law and fundamental rights, democratic institutions and public administration reform, as well as economic development and competitiveness. In the case of a significant regression or persistent lack of progress by the IPA III beneficiary in these areas, as measured by the indicators referred to in Article 7(5) of the IPA III Regulation, the scope and intensity of assistance shall be modulated accordingly.

(3) The provision of IPA III assistance shall be subject to the fulfilment of the IPA III beneficiary's obligations under this Agreement and under sectoral agreements and financing agreements, if any.

Article 6 **Role of the National IPA Coordinator**

(1) The IPA III beneficiary shall appoint a National IPA Coordinator (NIPAC) who shall be the main counterpart of the Commission for the overall process of coordination of programming, monitoring of implementation, evaluation and reporting of IPA III assistance. The NIPAC shall:

(a) ensure a close link between the use of IPA assistance and the general accession process;

(b) ensure the overall coordination of programming, in line with the objectives and thematic priorities of the IPA III programming framework, monitoring of implementation, evaluation and reporting of IPA assistance, including the coordination within the IPA III beneficiary's administration and with other donors;

(c) coordinate the participation of IPA III beneficiaries in the relevant cross-border cooperation programmes referred to in Article 64(2), points (a) and (b), and where appropriate transnational and interregional cooperation programmes referred to in Article 64(2), point (c). The NIPAC may delegate this coordination task to a territorial cooperation coordinator or a structure established for the management of cross-border cooperation, as appropriate;

(d) endeavour that the IPA III beneficiary's administration takes all necessary steps to facilitate the implementation of the related programmes.

(2) The NIPAC shall be a high-ranking representative of the government or the central administration of the IPA III beneficiary, with the appropriate authority.

(3) If the European Union has opened accession negotiations with the IPA III beneficiary, the NIPAC shall be appointed to a senior position in the national structures for coordination of accession negotiations.

Article 7 Methods of Implementation

(1) Assistance to the IPA III beneficiary shall be provided as set out in the Financial Regulation in:

(a) direct management by the Commission departments, including its staff in Union Delegations or through executive agencies as defined in Article 62(1), point (a), of the Financial Regulation;

(b) indirect management, whereby the Commission entrusts budget implementation tasks to the IPA III beneficiary as defined in Article 62(1), point (c)(i), of the Financial Regulation;

(c) indirect management with entities other than IPA III beneficiaries as defined in Article 62(1)(c), points (ii) to (viii), of the Financial Regulation;

(d) shared management with Member States as defined in Article 62(1), point (b) of the Financial Regulation for cross-border cooperation and transnational and interregional cooperation programmes referred to in Articles 64(2), points (a) and (c) of this Agreement or measures involving Member States of the European Union and implemented in accordance with the Interreg Regulation.

Article 8 Financing agreements

(1) Where required by the related financing decision, financing agreements may be signed under this financial framework partnership agreement in accordance with Article 5 of the IPA III Implementing Regulation.

(2) Where programmes are implemented in indirect management by the IPA III beneficiary, the financial framework partnership agreement, the sectoral agreement, if any, and the financing agreement taken as a whole shall comply with Article 129, Article 155(6) and Article 158 of the Financial Regulation.

(3) For cross-border cooperation programmes between IPA III beneficiaries a single financing agreement may be signed by the Commission and all the participating IPA III beneficiaries for a particular programme.

(4) The rules for implementation of cross-border cooperation programmes between one or more Member States and one or more IPA III beneficiaries, for interregional, transnational and for other measures shall be set out in the financing agreement for a given cross-border cooperation programme to be signed pursuant to the Interreg Regulation between the IPA III beneficiary, the Commission and, where applicable, the Member State hosting the managing authority of that cross-border cooperation programme.

(5) The financing agreements shall contain rules providing the right for the Commission to suspend financing agreements if the IPA III beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption or if the IPA III beneficiary is guilty of grave professional misconduct proven by any justified means.

(6) Where there is no financing agreement, the rules included in this financial framework partnership agreement shall apply.

Article 9 Sectoral agreements

(1) This financial framework partnership agreement may be complemented by sectoral agreements setting out specific provisions for the management and implementation of IPA III assistance in specific policy areas or programmes.

(2) Further details concerning rural development programmes shall be laid down in the respective sectoral agreements, which shall, among other aspects, set out measures through which assistance shall be implemented.

(3) Where they exist, sectoral agreements related to a given policy area or a programme shall apply to all financing agreements concluded under that policy area or programme.

SECTION II RULES FOR INDIRECT MANAGEMENT BY THE IPA III BENEFICIARY

TITLE I MANAGEMENT AND CONTROL SYSTEMS

Article 10 Establishment of structures and authorities by the IPA III beneficiary for indirect management by the IPA III beneficiary

(1) In the event of indirect management by the IPA III beneficiary, the following structures and authorities shall be established by the IPA III beneficiary:

(a) the National IPA Coordinator (NIPAC);

(b) the National Authorising Officer (NAO);

(c) the Management Structure established by the NAO composed of the NAO Support Office and the Accounting Body;

(d) the Managing Authorities and Intermediate Bodies;

(e) the Audit Authority.

(2) The IPA III beneficiary shall ensure adequate segregation of duties between and within the structures and authorities referred to in paragraph 1.

(3) The NAO shall be a high-ranking representative of the government or the central administration of the IPA III beneficiary with the appropriate authority.

(4) The Managing Authority of each programme shall be responsible for the overall management of the programme.

(5) The Managing Authority shall designate one or more Intermediate Bodies to carry out the tasks of financial management of the programme ('Intermediate Bodies for financial management').

(6) The financial management tasks shall be segregated from the Managing Authority. The Intermediate Body for financial management shall take financial decisions within the programme autonomously.

(7) The Managing Authority of a programme may designate one or more Intermediate Bodies to carry out the tasks of management of the policy area for which they are responsible in the system of the government or the administration of the IPA III beneficiary ('Intermediate Bodies for policy management').

(8) For IPA III annual programmes:

(a) the Managing Authority shall be established in the NIPAC office, with the possible exception of actions whose purpose is to prepare the IPA III beneficiaries for absorption of the European Structural and Investment Funds;

(b) the entities responsible for policy areas supported by the annual programme shall be designated Intermediate Bodies for policy management.

(9) For IPA III rural development programmes, the structures referred to under paragraph (1), point (d), of this Article shall be:

(a) the IPA Rural Development (IPARD) Managing Authority which shall be a public body acting at central level, in charge of preparing and implementing the actions, including selection of measures and their publicity, the coordination, evaluation, monitoring and reporting of the action concerned, as provided for in Annex A clause 6a. The IPARD Managing Authority shall be managed by a senior official with exclusive responsibilities;

(b) the IPARD Agency, which shall have functions of a similar nature as a paying agency in the Member States, being in charge of publicity, selection of projects as well as authorisation, control and accounting of commitments and payments and the execution of payments, as provided in Annex A, clause 6b.

Article 11 Functions and responsibilities of the structures and authorities

(1) The structures and authorities mentioned in Article 10 shall be assigned functions and responsibilities as set out in Annex A and shall comply with the internal control framework of Annex B.

(2) Specific assignments of functions and responsibilities may be set out in sectoral or financing agreements in line with the basic approach chosen for the assignment of functions and responsibilities as set out in Annex A.

(3) In indirect management by the IPA III beneficiary, where specific persons or entities have been given responsibility for an activity in relation to the management, implementation, control, supervision, monitoring, evaluation, reporting or audit of actions, the IPA III beneficiary shall enable such persons or entities to exercise the duties associated with that responsibility. This includes, in particular, the cases where there is no hierarchical link between such persons or entities and the bodies participating in that activity. The IPA III beneficiary shall, in particular, provide those persons or entities with the authority to establish:

(a) formal working arrangements detailing the rights and obligations of the structures and authorities concerned;

(b) an appropriate system for the exchange of information between them and the bodies concerned, including the power to require information and a right of access to documents and staff on the spot, if necessary;

(c) the standards to be met and the procedures to be followed.

TITLE II SPECIFIC PROVISIONS RELATING TO ENTRUSTING THE IPA III BENEFICIARY WITH BUDGET IMPLEMENTATION TASKS

Article 12 Conditions for entrusting the IPA III beneficiary with budget implementation tasks

(1) The Commission entrusts budget implementation tasks to the IPA III beneficiary by concluding a financing agreement.

(2) When managing IPA III funds, the IPA III beneficiary shall respect the principles of sound financial management, transparency, non-discrimination and ensure the visibility of IPA III assistance. The IPA III beneficiary shall ensure a level of protection of the financial interests of the European Union equivalent to the one that is provided for when the Commission implements the IPA III funds directly, with due consideration for, inter alia:

(a) the nature of the action;

(b) the financial risks involved;

(c) the level of assurance stemming from their systems, rules and procedures together with the measures taken by the Commission to supervise and support the implementation of the tasks entrusted to them.

(3) In order to protect the financial interests of the European Union, the IPA III beneficiary shall:

(a) set up and ensure the functioning of an effective and efficient internal control system based on international best practices and allowing in particular to prevent, detect, report and correct irregularities and fraud;

(b) use an accounting system that provides accurate, complete, analytical and reliable information in a timely manner;

(c) ensure that the structures and authorities referred to in Article 10(1), points (a) to (d), are subject to an independent external audit, performed in accordance with internationally accepted auditing standards by the Audit Authority functionally independent of the structures and authorities concerned;

(d) apply appropriate rules and procedures for providing financing to third parties, including transparent, non-discriminatory, efficient and effective review procedures, rules for recovering funds unduly paid and rules for excluding from access to funding;

(e) make public adequate information on their recipients, in accordance with Article 23;

(f) ensure protection of personal data equivalent to that referred to in Regulation (EU) 2018/1725 of the European Parliament and of the Council[6] and Regulation (EU) 2016/679 of the European Parliament and of the Council[7].

(4) Where substantive changes are made to the systems, rules and procedures of the IPA III beneficiary or to the procedures that relate to the budget implementation tasks entrusted to the IPA III beneficiary of Union funds, the IPA III beneficiary shall inform the Commission thereof without delay. The Commission shall review the financing agreements concluded with the IPA III beneficiary in order to ensure continued fulfilment of the requirements set out in paragraph 3.

Article 13 Entrusting budget implementation tasks

(1) The NAO shall be responsible for submitting to the Commission a request for entrusting the IPA III beneficiary with budget implementation tasks for a given programme.

(2) Before submitting the request referred to in paragraph 1, the NAO shall ensure that the requirements of Article 12(3) and those of Annex B are fulfilled. The NAO may rely on results of an *ex ante* assessment carried out with regard to an entrustment pursuant to Regulation (EU) No 231/2014 of the European Parliament and of the Council[8] ('the IPA II Regulation') or an earlier financing agreement.

When the NAO cannot rely on a previous *ex ante* assessment, the request shall be supported by an audit opinion on the structures and authorities under Article 10(1), points (a) to (d), drawn up by an external auditor, independent from those structures and

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6 Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002 (OJ L 295, 21.11.2018).

7 Regulation (EU) 2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016).

8 Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II) (OJ L77, 15 March 2014, p. 11).

authorities. The audit opinion shall be based on examinations conducted according to internationally accepted auditing standards.

(3) Before the Commission entrusts budget implementation tasks of IPA III assistance, it shall review the request referred to in paragraph 1 of this Article and the established structures and authorities referred to in Article 10 and shall, for the purposes of the *ex ante* assessment pursuant to Article 154(4) of the Financial Regulation, obtain evidence that the requirements set out in Article 12(3) of this Agreement and those of Annex B are fulfilled. This review may include on-the-spot verifications by the Commission.

For entrusting budget implementation tasks to the IPA III beneficiary, the Commission may rely on results of an *ex ante* assessment carried out with regard to an entrustment pursuant to the IPA II Regulation or an earlier financing agreement. Upon request of the Commission, the IPA III beneficiary shall provide additional evidence in case those assessments do not address all the requirements.

Article 14 Measures in case of non-compliance of Management Structure and Managing Authorities and Intermediate Bodies with Article 12(2) and (3) and Annex B

(1) After the Commission has entrusted budget implementation tasks, the NAO shall monitor the continued fulfilment by the structures and authorities established pursuant to Article 10(1), points (a) to (d), of the applicable requirements set out in Article 12(2) and (3) and Annex B. In case of failure to satisfy these requirements, the NAO shall inform the Commission, with a copy to the NIPAC and the Audit Authority, without delay and shall take any appropriate safeguard measures regarding payments made or contracts signed. Any failure to satisfy the requirements should be adequately reflected in the annual management declarations and the requests for entrustment.

(2) In addition, the NAO shall take all necessary steps in order to ensure the renewed fulfilment of the requirements referred to in paragraph 1.

Article 15 Suspension or termination of parts of the financing agreement concerning the entrusted budget implementation tasks

(1) The Commission shall monitor the compliance with Article 8(5), Articles 12(2) and (3), Article 51(1), Article 91 and Annex B, and may take appropriate remedial measures, including the suspension or termination of parts of the financing agreement at any time, if the requirements are no longer fulfilled.

(2) Where the Commission suspends or terminates parts of the financing agreement concerning the entrusted budget implementation tasks, the following provisions shall apply:

(a) the Commission may interrupt transfers of funds to the IPA III beneficiary;

(b) new legal commitments made by the structures and authorities concerned after the notification of the suspension or termination shall not be considered eligible for IPA III assistance;

(c) without prejudice to any other financial corrections, the Commission may make financial corrections as laid down in Article 43 on the transactions affected by previous non-compliance with the requirements for entrusting budget implementation tasks.

(3) The sectoral or financing agreement may lay down further provisions concerning the suspension or termination of those parts concerning entrusted budget implementation tasks.

SECTION III RULES FOR PROGRAMMING

Article 16 Programming of the assistance

(1) IPA III assistance shall be implemented in accordance with Article 9 of the IPA III Regulation and Chapter III of Title II of the NDICI Regulation;

(2) IPA III programmes shall be prepared in partnership with the IPA III beneficiary on the basis of the IPA III programming framework as set out in Article 7 of the IPA III Regulation in line with the principles referred to in Article 5. Programmes shall be comprised of action documents, describing the details for each one, as set out in Article 9(1) of the IPA III Regulation. The IPA III beneficiary shall prepare them in close consultation with the Commission, except for multi-country action documents, which are prepared by the Commission in close consultation with the IPA III beneficiaries.

(3) Except for programmes referred to in Articles 16(5), 16(7) and 69 or where the Commission is responsible for preparing the action documents, the IPA III beneficiary shall prepare a strategic response and action documents according to the thematic priorities and the process defined in the IPA III programming framework and the Commission guidance, taking due account of relevant strategies, including European macro-regional and sea basin strategies. The NIPAC shall coordinate within its administration and ensure close consultation with the Commission during preparation. The NIPAC shall submit the strategic response and action documents to the Commission according to the programming timetable agreed with the Commission.

(4) The IPA III beneficiaries shall ensure that the relevant public authorities and stakeholders such as economic, social and environmental partners, civil society organisations and local authorities are duly consulted and have timely access to the relevant information allowing them to play a meaningful role during the design, implementation and associated monitoring processes of programmes.

(5) IPA III assistance may be implemented through operational programmes on the basis of relevant thematic priorities set out in the IPA III programming framework, and the Commission guidance. Such programmes shall be adopted by the Commission on the basis of action documents prepared by the IPA III beneficiary, in close consultation with the Commission.

The implementation shall take the form of multi-annual programmes with annual instalments in accordance with Article 30(3) of the NDICI Regulation.

The operational programmes shall contain all the information required by the related Commission instructions, including inter alia:

(a) an assessment of medium term needs and objectives;

(b) an overview of the consultation of the relevant stakeholders;

(c) a description of the chosen strategic actions;

(d) a sufficiently detailed financial table specifying indicatively for each year the total amount of the Union contribution;

(e) the proposed evaluation and monitoring modalities;

(f) an indicative list of major projects, if any;

(g) where relevant, a description of the IPA III beneficiary structures and authorities for the management and control of the programme, in accordance with Article 10 and Annex A.

(6) A major project referred to in Article 16(5)(f) shall have a total cost exceeding EUR 30 000 000.

Major projects shall be submitted by the IPA III beneficiary to the Commission for assessment. Financing of major projects shall be agreed by both parties.

(7) The IPA III rural development assistance (IPARD) shall be provided on the basis of relevant priorities set out in the IPA III programming framework, and in the agriculture and rural development strategies of the IPA III beneficiary. The implementation shall take the form of multi-annual programmes with annual instalments in accordance with Article 30(3) of the NDICI Regulation, drawn up at central level and covering the entire period of the IPA III implementation. The IPARD III programme shall comprise a pre-defined set of measures further specified in the sectoral agreement. The programme shall be prepared by the IPARD Managing Authority as specified in Article 10(9), point (a), of this Agreement to be submitted to the Commission after consulting the appropriate interested parties.

IPA III assistance to rural development shall contribute to achieving the following objectives:

(a) increase the competitiveness of the agri-food sector, progressively aligning it with the EU standards and improving the efficiency and sustainability of on-farm production, which will provide a better response to societal demands for safe, nutritious and sustainable food;

(b) facilitate business development, growth and employment in rural areas, improve farmers' position within the value chain and attract young farmers into agriculture;

(c) contribute to climate change mitigation and adaptation, foster sustainable management of natural resources and contribute to the protection of the environment;

(d) improve community development and social capital in rural areas and build-up modern public administrations for agriculture and rural development, respecting good governance principles.

Article 17 Adoption and amendments of programmes

(1) After their adoption, programmes may, if necessary, be amended in accordance with Article 25 of the NDICI Regulation.

(2) Proposals for amendments submitted by the IPA III beneficiary shall be duly substantiated and shall include at least the following information: the text of the amended programme, the reasons for the proposed amendment, the expected effects of the amendment, including, where relevant, the financial impact.

(3) The IPA III beneficiary shall propose amendments to programmes whenever necessary to reflect changes in the relevant Union legislation or where changes in conditions for implementation so require.

(4) Detailed provisions for preparation, adoption and amendments of the programmes, as provided in the relevant documents and instructions prepared by the Commission shall apply.

SECTION IV RULES FOR IMPLEMENTATION

TITLE I GENERAL RULES AND PRINCIPLES FOR IMPLEMENTATION

Article 18 Procurement procedures, grants award procedures and other procedures

(1) Assistance under IPA III shall be managed in accordance with the provisions of the Financial Regulation.

(2) All services, supplies, works, grants and twinning contracts shall be awarded and implemented in accordance with the EU legal framework and Commission standards for the implementation of external actions, in force at the time of the launch of the procedure in question.

(3) Results of tender procedures as well as calls for grants, twinning and prize awards shall be published in accordance with the Financial Regulation and as further specified in Article 23 of this Agreement.

(4) In case of indirect management by the IPA III beneficiary, within one month after the entry into force of the respective financing agreement, the NAO shall provide to the Commission procurement, contracting and financial forecasts for the programme(s) implemented under the financing agreement covering the whole period of the implementation. This obligation shall not apply to rural development programmes.

(5) As regards procurement, the rules and procedures of the IPA III beneficiary aligning with Directive 2014/24/EU of the European Parliament and of the Council[9] may be considered equivalent to the rules applied by the Commission in accordance with the Financial Regulation. The Commission may accept such rules and procedures to be applied for the implementation of IPA III assistance, subject to the terms of the relevant provision in the financing agreement.

Article 19 Rules on nationality and origin for procurements, grants and other award procedures

(1) Participation in procurement, grant and prize award procedures for programmes financed under IPA III shall be open to international[10] and regional organisations and to all other natural persons who are nationals of, and to legal persons, which are effectively established in the following countries (hereafter referred to as 'eligible countries'):

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9 Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

10 International Organisations are international public-sector organisations set up by international agreements, specialised agencies set up by such organisations and other non-profit organisations assimilated to international organisations by a Commission decision.

(a) Member States, IPA III beneficiaries, contracting parties to the Agreement on the European Economic Area and partner countries covered by Annex I of the NDICI Regulation, and

(b) Countries for which reciprocal access to external assistance is established by the Commission. Reciprocal access may be granted, for a limited period of at least one year, whenever a country grants eligibility on equal terms to entities from the Union and from countries eligible under IPA III. Before the Commission decides on the reciprocal access it will consult the IPA III beneficiary.

(2) All supplies and materials financed under IPA III may originate from any country.

(3) The rules laid down in this Article shall not apply to, and do not create nationality restrictions for natural persons employed or otherwise legally contracted by an eligible contractor or, where applicable, subcontractor.

(4) For programmes jointly co-financed by an entity, or implemented in direct or indirect management with entities as referred to in Article 62(1), points (c)(ii) to (viii), of the Financial Regulation, the eligibility rules of those entities shall also apply.

(5) Where donors provide financing to a trust fund established by the Commission or through external assigned revenues, the eligibility rules in the constitutive act of the trust fund or in the agreement with the donor in case of external assigned revenues shall apply.

(6) In the case of programmes financed by IPA III and by another Union financial instrument, eligible entities under either of the instruments shall be considered eligible.

(7) In the case of multi-country programmes, legal entities who are nationals of and, in the case of legal entities who are also effectively established in, the IPA III beneficiaries and regions covered by the programme may be considered eligible.

(8) The eligibility rules of this Article may be restricted with regard to the nationality, geographical location or nature of applicants, where such restrictions are required because of the specific nature and the objectives of the programme and where they are necessary for its effective implementation.

(9) Tenderers, applicants and candidates from non-eligible countries may be accepted as eligible by the Commission in case of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of a programme impossible or exceedingly difficult.

(10) In order to promote local capacities, markets and purchases, priority shall be given to local and regional contractors when the Financial Regulation provides for award on the basis of a single tender. In all other cases, participation of local and regional contractors shall be promoted in accordance with the relevant provisions of that Regulation.

Article 20 Participation in Union programmes and agencies

(1) Assistance may be granted to support the participation of the IPA III beneficiary in Union programmes and Union agencies.

(2) The participation of the IPA III beneficiary in Union programmes shall follow the specific terms and conditions set out for each specific Union programme in an agreement concluded between the Commission and the IPA III beneficiary, in

accordance with the agreements establishing the general principles for participation of the IPA III beneficiaries in Union programmes.

Article 21 Implementation principles for budget support to the IPA III beneficiary

(1) The Commission may decide to grant budget support to the IPA III beneficiary in line with Article 236 of the Financial Regulation and with the EU Budget Support Guidelines, provided the eligibility criteria applicable for the purposes of implementing IPA III assistance through budget support are met. Such support shall be implemented in direct management.

(2) Disbursement of budget support shall be conditional on satisfactory progress being made towards achieving the objectives agreed with the IPA III beneficiary and provided for in the financing agreement.

(3) The corresponding financing agreements concluded with the IPA III beneficiary shall contain:

(a) an obligation for the third country to provide the Commission with reliable and timely information which allows the Commission to evaluate the fulfilment of the conditions referred to Article 236(2) of the Financial Regulation;

(b) a right for the Commission to suspend the financing agreement if the IPA III beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption;

(c) appropriate provisions pursuant to which the third country is to commit to immediately reimburse all or part of the relevant operation funding, in the event that it is established that the payment of the relevant Union funds has been vitiated by serious irregularities attributable to that country.

Article 22 Implementation principles for twinning

(1) Actions may be implemented through twinning whereby the administrations of the selected Member States agree to provide the requested public sector expertise. Twinning shall cover the reimbursement of the expenses incurred by the Member State(s) involved and may in particular provide for the long term secondment of a pre-accession advisor assigned to provide full time counsel to the administration of the IPA III beneficiary, hereinafter referred to as resident twinning advisor (RTA). The IPA III beneficiary shall make available adequate office facilities to the RTA.

(2) A twinning manual, which has been established by the Commission, shall be applicable to all twinning.

TITLE II TRANSPARENCY AND VISIBILITY

Article 23 Information, publicity and transparency

(1) The IPA III beneficiary commits towards increased transparency and accountability in the delivery of assistance. It shall publish information on the value of assistance received under IPA III.

(2) In case of indirect management, the IPA III beneficiary shall publish information on recipients in accordance with the applicable rules and procedures, to the extent that those

rules are deemed equivalent to those of the Commission, following the assessment carried out by the Commission.

(3) In the absence of such assessment or when the assessment does not confirm that IPA III beneficiary rules are equivalent to those of the Commission, the IPA III beneficiary shall comply with the requirements to publish information on procurement and grant contracts contained in the financing agreements or sectoral agreements as the case may be.

(4) The IPA III beneficiary shall publish IPA III programmes as well as any review and amendments.

Article 24 Strategic communication and visibility

(1) The IPA III beneficiary shall raise public awareness about the opportunities stemming from closer EU integration and reforms implemented with the EU support, with a view to ensuring public support for the EU and the EU accession.

(2) In its visibility and communication measures, the IPA III beneficiary shall inform the public about:

(a) the EU values, policies and programmes and their impact on people's everyday life;

(b) the EU accession process with the accompanying reforms and their long-term benefits and opportunities for citizens and economies;

(c) the EU funding provided to the IPA III beneficiary and its link to the EU values and policy objectives, with a focus on tangible positive impact of EU funded projects on citizens and economies.

(3) In particular, the IPA III beneficiary shall acknowledge the origin of the EU funding and ensure its proper visibility by:

(a) providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist;

(b) promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

(4) The IPA III beneficiary shall inform the Commission about the planning and implementation of the visibility and communication measures and seek synergies with those of the Commission.

(5) The Commission and the IPA III beneficiary shall agree on a coherent plan of visibility and communication activities to make available and actively publicise information about programmes and actions under IPA III assistance in IPA III beneficiary. The procedures for implementing such activities shall be specified in the sectoral or financing agreements.

(6) In case of direct management, implementation of the activities referred to in paragraph 5 shall be the responsibility of the Commission with the assistance of the IPA III beneficiary.

(7) In case of indirect management by the IPA III beneficiary, and for cross-border cooperation programmes referred to in Article 64(2), point (b), implementation of the activities referred to in paragraph 5 shall be the responsibility of the relevant IPA III beneficiary institutions.

(8) Visibility and communication activities shall promote transparency and accountability on the use of funds, subject to specific provisions on non-disclosure of indicative budgets for procurement of supplies and works prior to the contract signature, as applicable.

(9) The IPA III beneficiary shall report on its visibility and communication activities on IPA III to the IPA monitoring committee and the sectoral monitoring committees.

TITLE III DATA PROTECTION AND CONFIDENTIALITY

Article 25 Data protection

(1) The IPA III beneficiary shall ensure an appropriate protection of personal data equivalent to that established in Regulation (EU) 2018/1725 and Regulation (EU) 2016/679 as referred to in Article 12(3), point (f). Personal data means any information related to an identified or identifiable natural person. Any operation involving the processing of personal data, such as collection, recording, organisation, storage, adaption or alteration, retrieval, consultation, use, disclosure, erasure or destruction, shall be based on rules and procedures of the IPA III beneficiary and shall only be done as far as it is necessary for the implementation of the IPA III assistance.

(2) In particular, the IPA III beneficiary shall take appropriate technical and organisational security measures concerning the risks inherent in any such operation and the nature of the information relating to the natural person concerned, in order to:

(a) prevent any unauthorised person from gaining access to computer systems performing such operations, and especially unauthorised reading, copying, alteration or removal of storage media; unauthorised data input as well as any unauthorised disclosure, alteration or erasure of stored information;

(b) ensure that authorised users of an IT system performing such operations can access only the information to which their access right refers;

(c) design its organisational structure in such a way that it meets the above requirements.

Article 26 Confidentiality

(1) Without prejudice to Article 49, the IPA III beneficiary and the Commission shall preserve the confidentiality of any document, information or other material directly related to the implementation of the IPA III assistance that is classified as confidential.

(2) The IPA III beneficiary agrees that the entrusted entity referred to in Article 62(1), points (c)(ii) to (viii), of the Financial Regulation, to which the Commission entrusted budget implementation tasks, may forward documents in its possession to the Commission for the sole purpose of monitoring the execution of entrusted tasks. The Commission shall respect confidentiality arrangements made between the IPA III beneficiary and that entity in accordance with the provisions of this Agreement.

(3) The Parties shall obtain each other's prior written consent before publicly disclosing such information.

(4) The Parties shall remain bound by the confidentiality until five years after the end of the execution period of the related financing agreement.

TITLE IV GRANTING OF FACILITIES AND TAXATION

Article 27 Granting of facilities for the implementation of programmes and execution of contracts

(1) In order to ensure the effective implementation of programmes financed in whole or partly from any other Union instrument, the IPA III beneficiary shall take all necessary measures to ensure:

(a) that, in case of service, supplies or works tender procedures as well as calls for proposals for grants and twinnings, natural or legal persons eligible to participate in award procedures pursuant to Article 19 shall be entitled to a temporary installation and residence where the importance or the duration of the contract so warrants. This right shall be acquired only after the procedure has been launched and shall be enjoyed by the managerial and technical staff, including Resident Twinning Advisors (RTA), needed to carry out studies and other preparatory measures to the drawing up of tenders/applications/proposals. The right of unsuccessful tenderers/candidates/applicants for a temporary installation shall expire one month after notification of the contract award decision;

(b) that tenderers and applicants can submit their tenders/applications/proposals without encountering any obstacle, such as additional legal, administrative or customs related requirements that impair equal treatment among tenderers or applicants unless such requirements are enshrined in an underlying Decision adopted by the Commission;

(c) that personnel taking part in the implementation of programmes financed in whole or partly from any other Union instrument and members of their immediate family are accorded no less favourable benefits, privileges and exemptions than those usually granted to other international or expatriate staff employed in the Republic of Türkiye, under any other bilateral or multilateral agreement or arrangements for assistance and technical co-operation;

(d) that personnel taking part in the implementation of programmes financed in whole or partly from any other Union instrument and members of their immediate family are allowed to enter the Republic of Türkiye, to establish themselves in the Republic of Türkiye, to work there and to leave the Republic of Türkiye, as the nature of the underlying contract so justifies;

(e) the granting of all permits necessary for the importation of goods, in particular professional equipment, required for the execution of the underlying contract, subject to existing laws, rules and regulations of the IPA III beneficiary;

(f) that imports carried out under programmes financed in whole or partly from IPA III or any other Union instrument will be exempted from all import charges;

(g) the granting of all permits necessary for the re-export of the above goods, once the underlying contract has been fully executed;

(h) the granting of authorisations for the import or acquisition of the foreign currency necessary for the implementation of the underlying contract and the application of national exchange control regulations in a non-discriminatory manner to contractors, regardless of their nationality or place of establishment;

(i) the repatriation of funds received in respect of the action under programmes financed in whole or partly from any other Union instrument.

(j) that transactions necessary for carrying out contracts under programmes financed in whole or partly from any other Union instrument will be exempted from procedures requiring the transfer of the payment for goods or services to their contractors abroad through banks or financial institutions operating in the Republic of Türkiye.

(2) The IPA III beneficiary shall ensure full co-operation of all relevant authorities. It will also ensure access to state-owned companies and governmental institutions, which are involved or are necessary in the implementation of an action or in the execution of the contract.

(3) After the entry into force of this Agreement, the IPA III beneficiary shall adopt or amend the legislation or enabling acts necessary to enforce the requirements of the procedures laid down in this Article, while keeping these procedures as simple, reasonable and time efficient as possible.

Article 28 Rules on taxes, customs duties and other fiscal charges

(1) Except where otherwise provided for in a sectoral agreement or a financing agreement, taxes, duties and charges having equivalent effect shall not be eligible under IPA III programmes or any other Union instrument. This rule of exemption on taxes, customs duties and other fiscal charges shall also apply to co-financing provided by the IPA III beneficiary, or other co-financing entities, recipients of IPA III financial assistance received by natural or legal persons or any other financing under other Union instruments.

(2) The following provisions shall apply:

(a) for the purposes of this Agreement, the term '*Union contractor*' shall be construed as natural and legal persons, executing a Union contract. The term 'Union contractor' shall include in particular, service/supplies/works contractors, grant beneficiaries (including twinning contractors, sub-grant beneficiaries), partners in a consortium or joint venture or co-beneficiaries or affiliated entities in grants, sub-grantees, contractors, international organisations, including their specialised agencies or development agencies, and RTAs under twinning contracts as well as contractors under the Technical assistance and Information exchange instrument (TAIEX);

(b) the term '*Union contract*' means any contract, grant contract or agreement in direct or indirect management through which an activity is financed under IPA III or any other Union instrument, including sub-grants. The term 'Union contract' shall also cover provisions of assistance under TAIEX and participation in Union programmes;

(c) all imports by Union contractors shall be allowed to enter the Republic of Türkiye without being subject to customs or import duties, Value Added Tax (VAT), excise duties and other special consumption tax or to any other similar tax, duties or charges having equivalent effect. Such exemption shall only be applied to the imports or charges in connection with the goods supplied or services rendered or works executed by the Union contractors under a Union contract. The Republic of Türkiye shall ensure that the imports concerned will be released from the point of entry for delivery to the Union contractors as required by the provisions of the contract and for immediate use as required for the normal implementation of the contract, without regard to any delays or disputes over the settlement of the above-mentioned duties, taxes or charges;

(d) Union contractors shall be exempted from VAT for any service rendered or goods supplied or works executed under the Union contract. Goods supplied or services rendered or works executed by a contractor to the Union contractor shall also be exempted from VAT in so far that they are connected with the objectives and activities under the Union contract;

(e) the exemption provided for in point (d) shall be put into effect through the following mechanism.

(i) IPA III beneficiary shall ensure that an effective mechanism and procedures for VAT *ex ante* exemption has been put in place. This mechanism shall allow Union contractors and contractors of Union contractors to issue an invoice exclusive of VAT.

In case the IPA III beneficiary does not ensure that an effective mechanism and procedures for *ex ante* VAT exemption have been in place immediately following the entry into force of this Agreement, the Commission may apply a financial correction.

(ii) By way of derogation, where in duly justified cases the *ex ante* exemption is not technically or practically feasible, VAT exemption shall be put into effect through refund or offsetting.

Where the refund procedure applies, Union contractors and contractors of Union contractors shall be able to obtain a VAT refund directly from the responsible tax authority upon submission of a written request to the responsible tax authority accompanied by the necessary documentation required under the Republic of Türkiye law for the refund of VAT.

Where the offsetting procedure applies, Union contractor and contractors of Union contractors shall be entitled to offset or deduct any input VAT paid in connection with the goods supplied or services rendered or works executed under IPA III assistance, which are exempted from VAT, as provided in this Agreement, against any VAT collected by them for any of their ordinary business transactions outside IPA III.

The responsible tax authority shall complete any request for tax refund, and offsetting within a maximum of 30 calendar days without any cost other than minimum and reasonable administrative fees;

(f) profit or income arising from Union contracts shall be taxable in the Republic of Türkiye in accordance with the central/local tax system. However, natural and legal persons, including expatriate staff and RTAs, resident or established in the

Member States of the European Union or other countries eligible under IPA III other than the IPA III beneficiary, executing Union contracts shall be exempted from profit or income tax in the Republic of Türkiye, including withholding and provisional or temporary taxes; except in cases where the natural and/or legal person making such profit and/or income has its residence or a permanent establishment to which such income is attributable in the Republic of Türkiye according to the provisions of the applicable double taxation agreements;

(g) a Union grant to a grant beneficiary shall not be construed as a profit or income to that grant beneficiary. Where a profit is generated from a grant contract, the Commission shall be entitled to recover the percentage of the profit in accordance with the terms of the underlying contract. The remaining profit may be taxable according to the central/local tax system;

(h) expenditures of the Union contractors shall be relieved from import charges, excise duties and other special consumption tax or from any other similar tax, duties or charges having equivalent effect for the expenditure in connection with the goods supplied or services rendered or works executed by that Union contractor under the Union contract;

(i) financial or material assets/goods, including constructed facilities or rights transferred to beneficiaries of actions/activities or beneficiaries of contracts carried out under IPA III programmes or under any Union Instrument shall not generate for these beneficiaries 'inheritance and transfer taxes' or any other tax or charge having equivalent effect;

(j) personal and household effects imported for personal use by natural persons (and members of their immediate families), other than those recruited locally, carrying out tasks defined in service or works or grant contracts or twinning contracts or agreements, shall be exempted from customs or import duties, Value Added Tax (VAT), excise duties and other special consumption tax or to any other similar tax, duties or charges having equivalent effect or deterrent excessive collateral requirements, the said personal and household effects being re-exported or disposed of in the state, in accordance with the regulations in force in the Republic of Türkiye after termination of the contract;

(k) Union contracts shall not be subject to stamp or registration duties, or to any other charge having equivalent effect in the Republic of Türkiye. This exemption shall also apply to transactions (including assignment of rights) and documents related to payments made to the Union contractor, including contracts concluded between grant beneficiaries (including their partners, affiliated entities or sub-grant beneficiaries) and their contractors (including their staff or contracted experts), and contracts concluded for incidental and provisional expenditure under service contracts and works contracts respectively, where such payments are directly related to a Union contract;

(l) the following charges shall also be exempted for Union contractors:

  (i) special communication tax;

  (ii) motor vehicle taxes;

  (iii) special charges applied by regional or local authorities or special boards in the context of contract execution not proportional with the cost involved in their execution or of having equivalent effect of taxes.

(3) Whenever necessary, the IPA III beneficiary shall adopt or amend the secondary legislation or enabling acts necessary to enforce the tax provisions in this Agreement immediately upon its entering into force.

(4) The rules and procedures referred to in this Article shall also apply to any similar tax, duty, levy or charges having equivalent effect, which may be instituted after the entry into force of this Agreement in addition to, or in replacement of existing ones.

(5) In case of conflict between the provisions in this Article and the legislation of the IPA III beneficiary, the provisions of this Agreement shall prevail. In the event of accession to the Union, the IPA III beneficiary will continue to apply the provisions in Article 27 and this Article except where these are incompatible with its obligations under the relevant Union *acquis*.

SECTION V RULES ON FINANCIAL MANAGEMENT OF IPA III ASSISTANCE

TITLE I GENERAL PROVISIONS

Article 29 Eligibility of expenditure

(1) Expenditure shall not be financed more than once from IPA III. In addition, expenditure financed by IPA III shall not receive any other financing from the EU budget.

(2) Expenditure incurred by the recipients and payments made by the IPA III beneficiary shall not be eligible for funding under the IPA III Regulation prior to the signature of the relevant financing agreement, contracts and addenda, except for the cases provided for in Article 27(6) of the NDICI Regulation.

(3) The following expenditure shall not be eligible for funding under the IPA III Regulation:

(a) purchase of land and existing buildings, except where justified by the nature of the programme in the financing decision;

(b) other expenditure as may be provided for in the sectoral or financing agreements.

(4) The final date for the eligibility of expenditure shall be laid down in the financing agreements.

Article 30 Co-financing of IPA III programmes

(1) Programmes implemented in indirect management by the IPA III beneficiary may require both IPA III beneficiary's and Union's financial contributions.

(2) The co-financing rate shall take the form of joint co-financing and be defined in the sectoral or financing agreement.

(3) Where both IPA III beneficiary's and Union's financial contributions are required, the Union contribution shall be stipulated in the sectoral or financing agreements.

TITLE II RULES RELATING TO INDIRECT MANAGEMENT BY THE IPA III BENEFICIARY

Article 31 Specific rules on eligibility of expenditure for IPARD

For the IPARD III programme, the following specific provisions shall apply:

(a) The EU contribution to investment projects under rural development programmes shall be repaid if within five years from the final payment by the IPARD Agency, the project undergoes a substantive modification;

(b) in case of standard unit costs, lump sums not exceeding EUR 100 000 of public contribution and flat-rate financing, determined by a percentage of one or several defined categories of costs, the EU is covering only the amounts as laid down for each measure and as defined by the respective IPARD Agency in advance of the call for applications;

(c) contributions from an IPARD III programme to a financial instrument for use within the scope of that IPARD III programme will be considered as eligible expenditure.

(d) In determining the share of public expenditure as a percentage of total eligible cost of investment, account shall not be taken of national aid to facilitate access to loans granted without any Union contribution provided under Regulation (EU) 2021/1529.

Article 32 Audit trail

The NAO shall ensure that all relevant information is available to ensure a sufficiently detailed audit trail. This information shall *inter alia* include documentary evidence of the authorisation of payment requests, of the accounting and payment of such requests, and of the treatment of advances, guarantees and debts.

Article 33 Payments of the Union contribution

(1) Payment of the Union contribution shall be made within the limits of the funds available.

(2) Payments may take the form of pre-financing, interim payments and settlement of the final balance, following the procedure established in Article 42(2). Where contributions are required from both the Union and the IPA III beneficiary, payments of the Union contribution to the financing of the programmes concerned shall be calculated by applying the co-financing rate laid down in the sectoral or financing agreement to the eligible expenditure certified in accordance with Article 61(5) subject to the maximum amount of the Union contribution set out in the sectoral or financing agreement.

(3) By 15 January and 15 July each year, except where otherwise provided for in a sectoral agreement or a financing agreement the NAO shall send to the Commission a forecast of its likely payment request for the financial year concerned and for the subsequent financial year, in relation to all programmes. The Commission may ask for an update of the forecast as appropriate.

(4) Payments by the Commission to the Accounting Body shall be made within 90 days after the conditions of Articles 34, 35 or 36 are met. This time limit for payment requests may be interrupted by the Commission in order to request all underlying documents

necessary to clarify any elements relevant to the statement of expenditure, including information on the reporting of irregularities in accordance with Article 51(2) and Annex H.

(5) Amounts set out in the programmes submitted by the IPA III beneficiary, in statements of expenditure, in payment requests and in expenditure mentioned in the implementation reports shall be denominated in euro. The IPA III beneficiary shall ensure that for the treasury flows between the Commission and the IPA III beneficiary the rate recorded for conversion between euro and the IPA III beneficiary currency is the monthly accounting rate of the euro established by the Commission for the month during which the expenditure paid was recorded in the accounts of the Accounting Body or the Intermediate Body for financial management concerned specified in the relevant financing agreement.

(6) Payments by the Commission to the IPA III beneficiary shall be made, subject to availability of budget appropriations, in euro to the euro account, in accordance with the provisions laid down in Articles 34, 35 and 36 and sectoral or financing agreements. Euro account(s) shall be opened for the programmes and shall be exclusively used for transactions relating to those programmes in accordance with the provisions of the relevant sectoral or financing agreements.

(7) The IPA III beneficiary shall ensure that recipients receive the total amount of the public contribution in due time and in full. No charge shall be levied which would reduce these amounts for recipients and the public contribution and assets thus financed shall not be subject to any administrative or judicial confiscation, seizure or similar deductions.

(8) In cases where the balance on the euro account referred to in paragraph 6 is insufficient to cover the payment requests submitted by the recipients pending the receipt of payment from the Commission, the IPA III beneficiary shall use national funds to pre-finance the Union contribution. In these cases the national funds shall be treated as Union funds and paragraph 6 shall apply at the moment when the full payment of the IPA III beneficiary contribution, if any, and the Union contribution pre-financed from the national funds is recorded in the accounts of the Accounting Body.

(9) IPA III assistance may only cover expenditure incurred and paid by the IPA III beneficiary in conformity with the eligibility rules laid down in the contractual clauses and the legal framework established by the Financial Regulation, the NDICI Regulation, the IPA III Implementing Regulation and Articles 29, 30 and 31 of this Agreement, and as defined in the sectoral or financing agreements, where applicable.

(10) The exchange of information, including submission of payment requests in line with Article 34, 35 and 36 of this Agreement, concerning financial transactions between the Commission and the structures and authorities referred to in Article 10 shall, where appropriate, be made by electronic means, using procedures as instructed by the Commission.

Article 34 Pre-financing

(1) The minimum requirements for a pre-financing payment are the following:

(a) the NAO has notified to the Commission the opening of the euro account concerned;

(b) the relevant financing agreement has entered into force.

(2) The detailed provisions concerning the calculation of pre-financing payments for annual and multi-annual programmes shall be set in the sectoral or financing agreements.

(3) The total pre-financing amount shall be cleared at the latest when the programmes are closed.

Article 35 Interim payments

(1) The minimum requirements for an interim payment are the following:

(a) the NAO has sent to the Commission a payment request including a certified statement of expenditure detailing amounts paid and costs recognised and including information, where relevant, on pre-financing. The payment request shall also include relevant information on implementation as detailed in the sectoral or financing agreement;

(b) the ceilings for the Union contribution, as laid down in the financing decision, have been respected;

(c) the NIPAC has sent to the Commission the annual report on implementation in accordance with Article 59(1);

(d) the Audit Authority has sent to the Commission the annual audit opinion and annual audit activity report, in accordance with Article 63(1) and (2);

(e) the relevant financing agreement is in force;

(f) any information requested by the Commission has been provided.

(2) Without prejudice to the annual audit opinion, if it appears that the applicable rules have not been complied with or funds have not been properly used, the payments can be suspended or interrupted in accordance with the procedure laid down in the Articles 38 and 39.

Article 36 Settlement of the final balance

(1) The minimum requirements for the settlement of the final balance are the following:

(a) the NAO has sent to the Commission a certified final statement of expenditure and, if applicable, final payment request;

(b) the NIPAC has sent to the Commission the final report on implementation in accordance with Article 60;

(c) the Audit Authority has sent to the Commission, in accordance with Article 63 (4) and (5), an opinion on the final statement of expenditure, supported by a final audit activity report;

(d) the relevant financing agreement is in force;

(e) the Commission has completed the examination and acceptance of accounts procedure as foreseen in Article 42.

Article 37 De-commitment of unused funds in case of multi-annual programmes

(1) The Commission shall automatically de-commit any portion of a budgetary commitment for a programme that, by 31 December of the fifth year following that of the budgetary commitment, has not been used for the purpose of pre-financing or

making interim payments by the Commission to the IPA III beneficiary or for which the NAO has not presented any certified statement of expenditure or any interim payment request has been submitted in accordance with Article 35. For the purpose of this Article only costs recognised submitted with the interim payment request or declaration of expenditure shall be taken into consideration. An earlier deadline may be specified in a sectoral or financing agreement.

(2) The Commission shall inform the NAO in advance whenever there is a risk of de-commitment as referred to in paragraph 1.

(3) The amount concerned by de-commitment shall be reduced by the amounts equivalent to that part of the budget commitment for which:

(a) the operations are suspended by a legal proceeding or by an administrative appeal having suspensory effect; or

(b) it has not been possible to make a payment request for reasons of *force majeure* seriously affecting implementation of all or part of the programme.

The IPA III beneficiary claiming force majeure shall demonstrate the direct consequences of the force majeure on the implementation of all or part of the programme.

(4) The IPA III beneficiary shall send to the Commission information on the exceptions referred to in paragraph 3, points (a) and (b), in the annual report referred to in Article 59(1).

Article 38 Interruption of payments

(1) Notwithstanding the time limit(s) for payments set out in Article 33(4), the Commission may interrupt payments to the IPA III beneficiary fully or partially for the purpose of carrying out further checks, where:

(a) reliable information comes to the notice of the Commission indicating a significant deficiency in the functioning of either the management and control systems or that the expenditure certified by the NAO is linked to a serious irregularity and has not been corrected;

(b) the interruption is necessary to prevent significant damage to the financial interests of the Union;

(c) information comes to the notice of the Commission, which puts in doubt the eligibility of expenditure in a payment request.

(2) The Commission may limit the interruption to the part of the expenditure covered by the payment request affected by the elements referred to in paragraph 1. The Commission shall inform the IPA III beneficiary immediately of the reason of interruption and shall ask for its immediate observations and to remedy the situation if necessary. The interruption shall be ended by the Commission as soon as the necessary measures have been taken.

Article 39 Suspension of payments

(1) The Commission may suspend payments to the IPA III beneficiary, in particular when systemic errors are detected, which call into question the reliability of the internal control systems of the entity concerned or the legality and regularity of the underlying

transactions or the use of assets and outputs for the intended purpose as specified in the sectoral or financing agreement.

(2) The IPA III beneficiary shall be given the opportunity to present its observations within a period of two months before the Commission decides on a suspension in accordance with paragraph 1.

(3) The Commission shall end the suspension when the IPA III beneficiary has taken the necessary measures to remedy the systemic errors.

If the IPA III beneficiary has not taken such measures, the Commission may decide to cancel all or part of the IPA III contribution to the programme in accordance with Article 43.

Article 40 Recovery of funds

(1) Any situation as defined in Articles 50(7) and 51(5) occurring at any time during the implementation of IPA III assistance or being the result of an audit may lead to the recovery of the funds by the Commission from the IPA III beneficiary.

(2) The NAO shall recover the Union contribution paid to the IPA III beneficiary from those who were in any situation defined in Article 51(5) or benefited from it, in accordance with IPA III beneficiary recovery procedures for public funds. The fact that the NAO does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA III beneficiary.

Article 41 Financial adjustments by the IPA III beneficiary

The NAO shall make financial adjustments where any situation defined in Article 51(5) is detected, by cancelling all or part of the Union contribution to the programmes concerned. The NAO shall take into account the nature and gravity of the irregularities and the financial loss to the Union contribution ensuring the principle of proportionality.

Article 42 Examination and acceptance of accounts procedures

(1) The purpose of the examination and acceptance of accounts procedure shall be to ensure that the expenditure incurred and paid by the IPA III beneficiary in the context of indirect management and which may be chargeable to the Union budget is compliant with the applicable Union rules and that the accounts are complete, accurate and true.

(2) The examination and acceptance of accounts procedure shall consist of:

(a) the analysis of the final statement of expenditure as submitted by the NAO;

(b) the analysis of the final report on implementation of the annual or multi-annual programme in accordance with Article 60;

(c) the analysis of the opinion sent by the Audit Authority on the statement of expenditure supported by a final audit activity report;

(d) the analysis of relevant documents as referred to in the sectoral or financing agreement and, where appropriate, on-the-spot checks by the Commission, subject to no limitations or restrictions, on the content of those financial reports or statements and on the underlying transactions, including checks made with recipients;

(e) establishment by the Commission of the amount of expenditure chargeable to the Union budget, following, where necessary, a contradictory procedure and after the IPA III beneficiary has been notified;

(f) calculation of a possible financial correction arising from expenditure incurred and paid in breach of the rules laid down in the present Agreement and when relevant in a sectoral agreement or a financing agreement;

(g) recovery or payment by the Commission of the balance arising from the difference between accepted expenditure to the Union budget and the sums already paid to the IPA III beneficiary.

(3) The examination and acceptance of accounts procedure referred to in paragraph 2 is without prejudice to the possibility for the Commission to recover non-eligible expenditure at a later stage on the basis of audits or inspections carried out during or after the implementation of the programme.

Article 43 Financial corrections by the Commission

(1) In order to ensure that the IPA III funds have been used in accordance with the applicable rules, the Commission shall apply financial correction mechanisms in accordance with Article 12 of the IPA III Implementing Regulation and as detailed in sectoral or financing agreements.

(2) A financial correction may arise from any of the following:

(a) identification of any situation defined under Article 51(5);

(b) identification of a weakness or deficiency in the management and control systems of the IPA III beneficiary;

(c) failure to ensure achievements of results and use of assets and outputs for the intended purpose as specified in the sectoral or financing agreement;

(d) follow up by the Commission on the audit activity reports and opinions of the Audit Authority.

(3) If the Commission finds that expenditure under the programmes covered by IPA III has been incurred, paid and certified in a way that has infringed applicable rules, it shall decide what amounts are to be excluded from Union financing.

(4) The calculation and establishment of any such corrections, as well as the related recoveries, shall be made by the Commission, following the criteria and procedures provided for in paragraphs 5, 6 and 7 of this Article and Articles 42, 44 and 45.

(5) Financial corrections shall be made as appropriate by compensation or offsetting.

(6) The Commission shall apply the financial corrections on the basis of identification of the amounts unduly spent and on the financial implications for the budget. Where such amounts cannot be identified precisely in order to apply individual corrections, the Commission may apply flat-rate corrections or corrections based on an extrapolation of the findings.

(7) When deciding the amount of a correction, the Commission shall take into account the nature and gravity or the extent and financial implications of any situation defined in paragraph 2, as well as the principle of proportionality.

Article 44 Procedure for financial corrections

(1) Before taking a decision on a financial correction, including the ones taken on the basis of the examination and acceptance of accounts procedure, the Commission shall inform the NAO of its provisional conclusions and request his/her comments within two months.

Where the Commission proposes a financial correction based on an extrapolation of the findings or at a flat rate pursuant to Article 43(6), the IPA III beneficiary shall be given the opportunity to provide information which would allow the Commission to establish the actual extent of any situation defined in Article 43(2), through an examination of the documentation concerned. In agreement with the Commission, the IPA III beneficiary may limit the scope of this examination to a proportion or sample of the documentation concerned. Save for duly justified cases, the time allowed for the IPA III beneficiary shall not exceed a period of two months after the two-month period referred to in the first subparagraph. Further details may be set out in the sectoral or financing agreement.

(2) The Commission shall take a decision after taking into account any evidence supplied by the IPA III beneficiary.

Article 45 Re-use of the Union contribution

(1) The resources cancelled from the Union contribution following financial corrections pursuant to Article 43 shall be paid to the Union budget.

(2) The contribution recovered in accordance with Article 40 or cancelled in accordance with Article 41 may not be re-used for the activity or activities that were the subject of the recovery or the financial adjustment, nor, where the recovery or financial adjustment follows a systemic irregularity, for on-going activities within the whole or part of the programme in which the systemic irregularity occurred.

Article 46 Repayment

(1) The IPA III beneficiary shall make any repayment to the general budget of the Union before the due date indicated in the recovery order drawn up in accordance with Article 100 of the Financial Regulation.

(2) Any delay in repayment shall give rise to interest on account of late payment, in accordance with Article 99 of the Financial Regulation.

TITLE III CLOSURE OF A PROGRAMME OR PART OF A PROGRAMME

Article 47 Closure of a programme or part of a programme implemented in indirect management by the IPA III beneficiary

(1) The Commission shall notify in writing the closure of a programme to the IPA III beneficiary.

(2) The Commission shall not close a programme without prior examination and acceptance of the accounts as provided for in Article 42.

(3) The closure of a programme is without prejudice to the right of the Commission to undertake financial corrections at a later stage.

(4) More detailed rules on the closure of programmes and relevant reporting obligations may be set out in sectoral or financing agreements.

Article 48 Closure of a programme or part of a programme implemented in direct management and indirect management with entities other than the IPA III beneficiary

(1) A programme is closed when all the contracts and grants have been closed.

(2) The Commission shall notify in writing the closure of a programme to the IPA III beneficiary.

Article 49 Retention of documents

(1) The IPA III beneficiary shall retain for five years from the date of closure of a programme all documents relevant for the procurement and grant award procedures, contracts, addenda, relevant correspondence and all relevant documents relating to payments and recoveries.

(2) The period referred to in point (1) shall be interrupted either in case of legal proceedings or by a duly justified request of the Commission.

TITLE IV SUPERVISION, CONTROL, AUDIT AND PROTECTION OF FINANCIAL INTERESTS

Article 50 Supervision, control and audit by the Commission, the European Anti-Fraud Office and the European Court of Auditors

(1) All financing agreements and subsequent contracts, including any sub-contracts entered into by beneficiaries with 3rd parties, shall be subject to supervision, control and audit by the Commission, including the European Anti-Fraud Office (OLAF), and audits by the European Court of Auditors.

In indirect management by the IPA III beneficiary, this also includes the right of the Commission and the Union Delegation in the Republic of Türkiye to carry out measures, such as:

(a) *ex ante* verification of tendering and contracting;

(b) *ex post* controls of tendering, contracting, contract execution, including financial management thereof;

(c) supervision concerning the functioning of the management and control systems.

The duly authorised external auditors, agents or representatives of the Commission, OLAF and the European Court of Auditors shall have the right to carry out any technical and financial verification or audit that they may consider necessary to follow the implementation of a programme or contract, including visits of sites and premises where IPA III funded activities are implemented or managed. The Commission shall give the authorities concerned advance notice of such missions.

(2) The IPA III beneficiary shall designate an anti-fraud coordination service[11], to facilitate effective cooperation and exchange of information, including information of an operational nature, with OLAF.

In indirect management, the designated anti-fraud coordination service shall be tasked with coordinating administrative and operational obligations and activities and propose amendments to the IPA III beneficiary's legislation, as appropriate, in order to protect the financial interests of the Union. The service shall, *inter alia*:

- lead the creation/implementation of strategies to protect the financial interests of the Union;
- identify possible weaknesses in the IPA III beneficiary systems for managing Union funds including IPA III assistance;
- ensure sufficient human resources capacity for these tasks, including training of fraud-prevention staff;
- support cooperation between the IPA III beneficiary administrations, prosecution authorities and OLAF;
- share information on irregularities and suspected fraud cases, including those identified in audits and checks carried out by the Audit Authority, internal audit services, the Management Structure, the Managing Authorities and Intermediate Bodies, with the IPA III beneficiary administration and OLAF;
- ensure the fulfilment of all the obligations under Regulation (EC, Euratom) No 883/2013 of the European Parliament and of the Council[12], Council Regulation (Euratom, EC) No 2988/1995[13] and Council Regulation (EC, Euratom) No 2185/1996[14].

(3) The IPA III beneficiary shall supply all requested information and documents including any electronic data and take all suitable measures to facilitate the work of the persons instructed to carry out audits, on-the-spot checks, or inspections.

(4) The IPA III beneficiary shall ensure that the agents or representatives of the Commission, including OLAF, have the right to inspect all relevant documentation, digital data, and accounts pertaining to items financed under the related financing agreement and assist the European Court of Auditors to carry out audits relating to the use of IPA III assistance. Where privately owned devices are used for work purposes, those devices may be subject to inspection by OLAF. OLAF shall subject such devices to inspection only under the same conditions and to the same extent that national control authorities are allowed to investigate privately owned devices and where OLAF has

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11 This service does not form part of the structures referred to in Article 10 and its establishment is thus not a pre-requisite for entrusting budget implementation tasks.

12 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18 September 2013, p.1).

13 Council Regulation (EC, Euratom) No 2988/1995 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23 December 1995, p.1).

14 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities financial interests against fraud and other irregularities (OJ L 292, 15 November 1996, p. 2).

reasonable grounds for suspecting that their content may be relevant for the investigation.

(5) In order to ensure the efficient protection of the financial interests of the Union, the Commission, including OLAF, may also conduct all investigative acts, and in particular, on-the-spot checks and inspections in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (EC, Euratom) No 2185/1996. These checks and inspections shall be prepared and conducted in close collaboration with the IPA III beneficiary, which shall be notified in good time of the object, purpose and legal basis of the checks and inspections, so that it can provide all the required help. The IPA III beneficiary shall identify a service with criminal investigative powers, which will assist in conducting investigations in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (EC, Euratom) No 2185/1996 upon OLAF's request.

(6) The service referred to in point (2) can fulfil this task if it has administrative and criminal investigative powers. If OLAF requires, the on-the-spot checks and inspections may be carried out jointly. Where the participants in IPA III funded activities resist an on-the-spot check or inspection, the IPA III beneficiary, acting in accordance with its own national laws and rules, shall provide to the Commission/OLAF inspectors the necessary assistance to allow them to discharge their duty in carrying out an on-the-spot check or inspection, including the provision of the bank account information relevant for OLAF's investigative activity.

(7) In case of failure to comply with the obligations set out in paragraphs (4), (5) and (6) of this article, the European Commission may recover the funds related to the Union contribution under investigation by OLAF in line with the provisions of Article 40.

(8) The Commission/OLAF shall report as soon as possible to the IPA III beneficiary any evidence or suspicion relating to frauds or irregularities, which has come to its knowledge in the course of an on-the-spot check or inspection. In any event, the Commission/OLAF shall be required to inform the above-mentioned service of the result of such checks and inspections.

(9) The controls and audits described above are applicable to all recipients and sub-contractors who have received IPA III assistance whether or not they are named in the contract or Grant Agreement. Such controls and audits are also applicable to documents and data concerning the national contribution, if any, by the IPA III beneficiary.

(10) In indirect management, the Commission may check, at any times, the accounts and operations of the Accounting Body and Managing Authorities and Intermediate Bodies either directly or through an external auditor. This is without prejudice to the responsibilities of the Commission and of the European Court of Auditors.

Article 51 Protection of the financial interests of the Union

(1) In accordance with Article 154(4), point (a), of the Financial Regulation, the IPA III beneficiary entrusted with budget implementation tasks of IPA III assistance shall prevent, detect and correct irregularities and fraud when executing those tasks. To this end, the IPA III beneficiary shall carry out, in accordance with the principle of proportionality, *ex ante* and *ex post* controls including on-the-spot checks on the representative and risk-based samples of transactions, to ensure that the programmes financed from the budget are effectively carried out and are implemented correctly. The

IPA III beneficiary shall also recover funds unduly paid and bring legal proceedings where necessary in this regard.

(2) In indirect management, the IPA III beneficiary shall ensure investigation and effective treatment of suspected cases of irregularities, fraud, corruption and conflict of interest and the functioning of a control and reporting mechanism as referred to in Article 13(7) of the IPA III Regulation. The IPA III beneficiary shall report suspected fraud and other irregularities, which have been the subject of a primary administrative or judicial finding, without delay, to the Commission and keep the latter informed of the progress of administrative and legal proceedings. Reporting shall be done by electronic means using the irregularity management system (IMS) provided by the Commission for this purpose. In addition to the reporting provisions set in Annex H to this Agreement, further details may be laid down in the sectoral or financing agreement.

(3) Furthermore, the IPA III beneficiary shall, in indirect management, take any appropriate measure to prevent and counter any active or passive corruption practices at any stage of the procurement procedure or grant award procedure or during the implementation of the corresponding contracts.

(4) The IPA III beneficiary, including the personnel responsible for the programming and implementation of the tasks of the IPA III funded activities, shall take whatever precautions necessary to avoid any risk of conflict of interests and shall inform the Commission immediately of any such conflict of interest or any situation likely to give rise to any such conflict.

(5) For the purpose of the protection of the financial interests of the Union, the following definitions shall apply:

(a) *Error* means non-deliberate clerical and technical errors committed by the IPA III beneficiary or a recipient of IPA III assistance;

(b) *Irregularity* means any infringement of a provision of applicable rules and contracts resulting from an act or an omission by an economic operator or the IPA III beneficiary, which has, or would have, the effect of prejudicing the general budget of the Union by charging an unjustified item of expenditure to the general budget;

(c) *Economic operator* means any natural or legal person, including a public entity, or a group of such persons, who offers to supply products, execute works or provide services or supply immovable property;

(d) *Systemic irregularity* means any irregularity that may be of a recurring nature, with a high probability of occurrence in similar types of operations, which result from a serious deficiency in the effective functioning of the management and control systems, including a failure to establish appropriate procedures in accordance with applicable rules;

(e) *Fraud* means any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the Union or budgets managed by, or on behalf of, the European Union;

- non-disclosure of information in violation of a specific obligation with the same effect;

- the misapplication of such funds for purposes other than those for which they were originally granted;

(f) *Suspected fraud* means an irregularity giving rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of intentional behaviour, in particular fraud, as referred to above;

(g) *Active corruption* means the deliberate action of whoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the financial interests of the Union;

(h) *Passive corruption* means the deliberate action of a civil servant, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or a third party, or accepts a promise of such advantage, to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the financial interests of the Union;

(i) *Conflict of interests* means that the impartial and objective exercise of the functions of a financial actor or other person is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest;

(j) *Primary administrative or judicial finding* means a first written assessment by a competent authority, either administrative or judicial, concluding on the basis of specific facts that an irregularity has been committed. This is without prejudice to the possibility that this conclusion may subsequently have to be revised or withdrawn as a result of developments in the course of the administrative or judicial procedure.

The definitions listed in this Article shall not be construed as introducing new types of crime to the IPA III beneficiary penal code or changes thereto.

SECTION VI MONITORING, EVALUATION AND REPORTING

TITLE I MONITORING

Article 52 IPA monitoring committee

(1) The Commission and the IPA III beneficiary shall set up an IPA monitoring committee no later than six months after the entry into force of the first financing agreement. This committee shall also fulfil the responsibilities of the IPA monitoring committee under Council Regulation (EC) No 1085/2006[15] ('IPA Regulation') and under the IPA II Regulation.

(2) The IPA monitoring committee shall review the overall effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of all programmes towards meeting the objectives set out in the financing agreements, the IPA

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15 Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA), (OJ L 210, 3 July 2006, p. 82).

III programming framework and the Strategic Response. For this purpose, it shall, where relevant, base itself on the information provided by the sectoral monitoring committees and other existing central coordination structures of the IPA III beneficiary.

(3) The IPA monitoring committee may make proposals to the Commission, the NIPAC and the NAO for ensuring better coherence and coordination of IPA III assistance as provided for in the IPA III programming framework or in the IPA III Regulation, and to enhance the overall efficiency, effectiveness, impact and sustainability of such assistance. It may also make recommendations for corrective actions to the relevant sectoral monitoring committees in order to ensure the achievement of IPA III objectives and enhance the efficiency and effectiveness of the IPA III assistance. For this purpose, it shall, where relevant, take into account the conclusions and recommendations drawn in monitoring and evaluations launched by either the Commission or the IPA III beneficiary.

(4) The IPA monitoring committee shall be composed of representatives of the Commission, the NIPAC and other relevant authorities and bodies of the IPA III beneficiary and, where relevant, bilateral donors, international organisations, international financial institutions and other stakeholders, such as civil society and private sector organisations. The representatives of stakeholders shall be chosen according to rules and criteria defined in the rules of procedure of the IPA monitoring committee and in agreement with the Commission.

(5) A representative of the Commission and the NIPAC shall co-chair the IPA monitoring committee meetings.

(6) The IPA monitoring committee shall adopt its rules of procedure in agreement with the NIPAC, the NAO and the Commission.

(7) The IPA monitoring committee shall meet at least once a year. *Ad hoc* meetings may also be convened at the initiative of the Commission or of the IPA III beneficiary, in particular on a thematic basis.

(8) Where sectoral monitoring committees, as referred to in Article 53, are not set up, the IPA monitoring committee shall fulfil the functions listed in paragraph 7 of that article.

Article 53 Sectoral monitoring committee

(1) The IPA III beneficiary shall have in place IPA sectoral monitoring committees to monitor annual and multi-annual programmes implemented in indirect management by the IPA III beneficiary, which are financed by the IPA Regulation, the IPA II Regulation and the IPA III Regulation in a specific sector or programme. Such committees shall be in place no later than six months after the entry into force of the first financing agreement in that sector.

(2) In accordance with the principle of proportionality, in the case of annual programmes implemented in indirect management, the obligation to establish an IPA sectoral monitoring committee may be waived in the financing agreement.

(3) Where an IPA sectoral monitoring committee is in place, this committee may, in addition to the multi-annual programmes implemented in indirect management, monitor other annual programmes in direct or indirect management in the same specific sector. This provision does not apply to IPARD III programmes.

(4) Supported by the reports provided by the Managing Authority prior to the meetings, the sectoral monitoring committees shall in particular:

(a) review the effectiveness, efficiency, quality, coordination and compliance of the implementation of the programmes;

(b) review the progress towards meeting the objectives, achieving the planned outputs and results, and assessing the impact and sustainability of IPA III assistance, while ensuring coherence with the policy dialogue, the related central and regional sector strategies and multi-country or regional activities in the IPA III beneficiary;

(c) review annual implementation reports, including financial execution of the programmes;

(d) examine relevant findings and conclusions as well as proposals for remedial follow-up actions stemming from the on-the-spot checks, monitoring, evaluations and audits if available;

(e) discuss any relevant aspects of the functioning of the management and control systems;

(f) discuss any problematic issues and actions;

(g) if necessary, consider or make proposals to amend programmes and take any other corrective action to ensure the achievement of the objectives and enhance the efficiency, effectiveness, impact and sustainability of IPA III assistance;

(h) review information, publicity, transparency, communication and visibility measures taken, in accordance with Articles 23 and 24.

Other specific provisions may be laid down in the sectoral or financing agreements.

(5) Operational conclusions, including any recommendations, will be drawn at the end of the sectoral monitoring committees meetings. These conclusions shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA monitoring committee on progress made in accordance with Article 52(2).

(6) Each sectoral monitoring committee shall adopt its rules of procedure to be drawn up in consultation with the Managing Authorities and Intermediate Bodies, the NIPAC and the Commission.

(7) The sectoral monitoring committee shall be composed of representatives of relevant IPA III beneficiary authorities and bodies, other stakeholders, such as economic, social and environmental partners and, international organisations, international financial institutions and civil society. The Commission shall participate in the work of the committee. The representatives of the stakeholders shall be chosen according to the rules and criteria defined in the rules of procedure. A senior representative of the IPA III beneficiary shall chair the sectoral monitoring committee meetings. Depending on the programme, the Commission may co-chair the committee meetings.

(8) The sectoral monitoring committees shall meet at least twice every twelve months. *Ad hoc* meetings may also be convened.

TITLE II EVALUATION

Article 54 Evaluation of IPA III assistance

(1) IPA III assistance shall be subject to evaluations, in accordance with Article 13 of the IPA III Regulation, Article 34 of the Financial Regulation, and Chapter V of Title II of the NDICI Regulation. Evaluation aims at improving relevance, coherence, quality, efficiency, effectiveness, impact, Union added value, sustainability of IPA III assistance, and synergy with the relevant policy dialogue.

(2) The objectives of an evaluation shall include:

(a) assessing the conditions for the implementation of the assistance, its performance, both prospective and actual, and its consistency with the policy objectives set out in view of achieving long-term impacts and objectives;

(b) assessing the achievement of the agreed results (outputs, outcomes, impacts) in view of reaching the intended long-term and global objectives;

(c) assessing the programming process and monitoring system and, where appropriate, implementation arrangements;

promoting accountability of the assistance to the institutions of the EU and to the public, with respect to the value for money and the use of funds;

(e) drawing lessons aiming at improving the quality and design of future policies, strategies and interventions. Therefore, evaluations shall be timely and their findings shall be taken into account both in the next programming and implementation cycle, as well as in the decision on resource allocation.

(3) Evaluations may be carried out at project and programme level as well as at strategic level. Strategic evaluations cover instruments (including budget support), themes, IPA beneficiaries or regions.

(4) *Ex ante* evaluations may be carried out. These evaluations shall aim to optimise the allocation of budgetary resources under programmes and improve programming quality. They shall identify and appraise the disparities, gaps and potential for development, the goals to be achieved, the results expected, the quantified targets, the coherence, if necessary, of the strategy proposed and the quality of the procedures for implementation, monitoring, evaluation and financial management.

(6) Retrospective and *ex post* evaluations shall assess the relevance, efficiency, effectiveness, coherence, impact, sustainability and EU added value of IPA III assistance in view of achieving the objectives set in the programming documents.

(7) The longer-term impacts and the sustainability of IPA III assistance shall be evaluated in accordance with the applicable rules and procedures, as well as the relevant Union legislation.

(8) The recommendations and conclusions of evaluations shall be taken into account by the IPA monitoring committee and the sectoral monitoring committees.

(9) The Commission shall develop evaluation methods, including quality standards[16] and measurable indicators. The IPA III beneficiaries shall follow such methods when carrying out the evaluations.

Article 55 Evaluations by the Commission

(1) When the Commission undertakes evaluations of IPA III assistance, the IPA III beneficiary shall facilitate the access to data and all relevant information necessary to carry out the evaluations, including facilitating interviews with relevant stakeholders.

Article 56 Evaluations by the IPA III beneficiary in indirect management

(1) The IPA III beneficiary implementing IPA III funding in indirect management shall be responsible for carrying out evaluations of the programmes it manages, in accordance with Article 54.

(2) The IPA III beneficiary shall, in consultation with the Commission, draw up an evaluation plan presenting the evaluation activities to be carried out in the different phases of the implementation.

TITLE III REPORTING

Article 57 Additional reporting definitions

(1) '12 month period' means the period from 1 July of the previous financial year to 30 June of the current financial year, except where otherwise provided for in a sectoral or a financing agreement.

(2) 'Cost recognised' means the cost that is incurred (by a recipient), accepted (by the Intermediate Body for financial management) and paid (by the Intermediate Body for financial management).

Article 58 Language and format

(1) All reports, statements, declarations and accounts related to the preparation or implementation of IPA III assistance shall be provided to the Commission in the English language.

(2) The NAO, supported by the Accounting Body, shall set up an accrual based accounting system to record and store, in electronic form, accurate, complete and reliable accounting records for each IPA III programme/action/operation implemented in indirect management by the IPA III beneficiary. The NAO will use it as a basis to draw up payment requests, accounts, financial reports and statements.

(3) IPA III beneficiary shall set up a management information system to record and store, in electronic form, the data on each IPA III programme/action/operation necessary for planning, implementation, management, monitoring, evaluation, verifications and audits of IPA III assistance.

[16] In line with Better Regulation and OECD/DAC evaluation criteria and sound evaluation methods and techniques.

(4) The IPA III Beneficiary shall set technical specifications of the systems referred to in paragraphs (2) and (3) to maximise automation of reporting and exchange of data in electronic form.

(5) The Commission may set up its own information systems and require the IPA III beneficiary to take an active role in their development and use.

Article 59 General reporting requirements from the NIPAC

(1) By 15 February of each year, the NIPAC shall provide the Commission with an annual report on implementation of financial assistance provided through the IPA Regulation, the IPA II Regulation and the IPA III Regulation in the previous financial year.

(2) The report shall follow the model made available by the Commission and shall include in particular:

(a) programming of assistance, progress made with implementation, problems encountered and corrective measures taken, follow-up to monitoring and evaluation;

(b) communication and visibility, and donor coordination efforts;

(c) progress made towards the achievement of the objectives outlined in the strategic documents and programmes, as measured by relevant indicators;

(d) recommendations for the coming period.

Where it covers programmes implemented in indirect management by the IPA III beneficiary, the report shall be based on information provided by the Managing Authorities and Intermediate Bodies, and cover progress made with implementation of entrusted tasks, including any problems encountered and corrective measures taken.

(3) Additional reporting requirements from the NIPAC may be set out in the sectoral or financing agreements, including reporting requirements for operational programmes referred to in Article 16(5) and programmes referred to in Article 16(7).

Article 60 Reporting requirements from the NIPAC in indirect management by the IPA III beneficiary

At the latest sixteen months after the end of implementation of each programme, the NIPAC shall submit to the Commission a final report on implementation of that programme covering the whole implementation period, including in particular information on expected and actual results achieved, and financial information related to the execution of activities.

Article 61 Reporting requirements from the NAO in indirect management by the IPA III beneficiary

(1) By 15 January of each year, the NAO shall provide to the Commission and the Audit Authority an extract of the data in electronic form held in the accounting system at 31 December of the previous financial year. It shall be accompanied by an annual accounting cut-off report using an *ad hoc* model provided by the Commission.

(2) By 15 February of each year, the NAO shall, with copy to the NIPAC and the Audit Authority, provide the Commission with the following information for the previous financial year:

(a) annual financial reports or statements on accrual basis, drawn up in accordance with the format of financial reports or statements attached to the financing agreement, which clearly distinguish costs recognised and payments made;

(b) a report on the management and control system, including:

(i) a summary of verification reports and controls carried out by the Management Structure;

(ii) an analysis of the nature, cause, extent and impact of financial errors;

(iii) a summary of substantive changes to the management and control system, rules or procedures of the IPA III beneficiary, with analysis of their impact on management of the Union funds;

(iv) self-assessment of the functioning of the management and control system, addressing requirements of Article 12(3) and Annex B, with identified weaknesses and corrective actions taken or planned;

(c) the status of action plans and follow up given to the audit reports issued by the Audit Authority, internal audit services and the Commission;

(d) an annual management declaration per programme, drawn up in accordance with Annex C; if the confirmations required by Annex C are not available, the NAO shall issue the annual management declaration with reservations informing the Commission of the reasons and potential consequences, along with the actions taken or planned to remedy the situation and to safeguard the financial interests of the European Union.

(3) By 31 July of each year, except where otherwise provided for in a sectoral agreement or a financing agreement, the NAO shall send to the Commission and the Audit Authority, the financial reports or statements on accrual basis for the 12 months period that ended on 30 June of the same year. They shall be drawn up in accordance with the format of financial reports or statements attached to the financing agreement, which clearly distinguish costs recognised and payments made.

(4) At the latest sixteen months after the end of implementation of each programme, the NAO will send to the Commission a final statement of expenditure of the programme using a model provided by the Commission. If applicable, it shall be accompanied by the final payment request.

(5) All the financial reports, statements and accounts referred to in this Article shall be certified by the NAO. Certification means confirmation of completeness, accuracy and veracity of the financial reports, statements and accounts.

(6) Additional reporting requirements by the NAO may be set out in the sectoral or financing agreements.

Article 62 Reporting requirements from the Managing Authorities in indirect management by the IPA III beneficiary

(1) The Managing Authorities and Intermediate Bodies shall deliver all necessary information to the NIPAC, the NAO and the Audit Authority in order to support their work and preparation of their reports.

(2) At the beginning of each year, the Managing Authorities and Intermediate Bodies shall provide the NAO with annual financial reports or statements on accrual basis for the previous financial year for the programmes under their responsibility.

(3) At the beginning of each year, the Managing Authorities shall provide the NAO with annual management declarations for the previous financial year for programmes under their responsibility. These annual management declarations will address all substantial aspects laid out in Annex C.

(4) The exact scope of the reports, statements and declarations referred to in paragraphs (2) and (3), their templates, methods of preparation, supporting documents and timeline shall be defined by the NAO and shall be laid out in the working arrangements concluded between the NAO and each Managing Authority.

(5) The Managing Authorities and Intermediate Bodies may be required by the NIPAC and the Commission to draw up *ad hoc*, occasional or periodic reports on implementation of the programmes under their responsibility. The reports may be presented to the responsible sectoral monitoring committee for examination.

(6) Additional reporting requirements by the Managing Authorities and Intermediate Bodies may be set out in the sectoral or financing agreements.

Article 63 Reporting requirements from the Audit Authority in indirect management by the IPA III beneficiary

(1) By 15 February of each year, except where otherwise provided for in a sectoral agreement or a financing agreement, the Audit Authority shall submit to the Commission and the government of the IPA III Beneficiary, with copy to the NIPAC and the NAO, an annual audit opinion in accordance with the model set out in Annex E.

(2) By 15 February each year, except where otherwise provided for in a sectoral agreement or a financing agreement, the Audit Authority shall submit to the Commission an annual audit activity report in accordance with the model set out in Annex D, which supports the annual audit opinion referred to in paragraph (1).

(3) The deadline of 15 February from paragraphs (1) and (2) may exceptionally be postponed by the Commission to 1 March, upon justified request by an Audit Authority, except where otherwise provided for in a sectoral agreement or a financing agreement.

(4) Within three months from the submission by the NAO of a final statement of expenditure, the Audit Authority shall send to the Commission an audit opinion on the final statement of expenditure in accordance with the model set out in Annex F.

(5) The audit opinion on the final statement of expenditure shall be supported by the final audit activity report according to the model provided by the Commission.

(6) The Audit Authority shall provide the Commission with system audit reports as soon as the contradictory procedure with the relevant auditees is concluded.

(7) Further specific requirements related to the reports and opinions of the Audit Authority may be set out in the sectoral or financing agreements.

SECTION VII PROVISIONS ON CROSS-BORDER COOPERATION PROGRAMMES

TITLE I GENERAL PROVISIONS

Article 64 Forms of cross-border cooperation

(1) Assistance under this Section shall aim at promoting good neighbourly relations, fostering Union integration and promoting socio-economic development through joint local and regional initiatives.

(2) Cross-border cooperation shall provide assistance to the following:

(a) cross-border cooperation between one or more Member States and one or more IPA III beneficiaries;

(b) cross-border cooperation between two or more IPA III beneficiaries;

(c) participation of IPA III beneficiaries in ERDF transnational, and interregional cooperation programmes.

(3) This Section shall apply to cross-border cooperation referred to in point (2)(b). The programming rules applicable to the programmes referred to in paragraph 2, points (a) and (c), shall be set up in the financing agreements to be concluded pursuant to Article 5 of the Interreg Regulation.

Article 65 Additional definitions for cross-border cooperation

(1) For the purposes of this Section the following definitions shall apply:

(a) 'operation' means a project, contract, action or group of projects selected by the contracting authority of the programme concerned, or under its responsibility, contributing to the objectives of a thematic priority or thematic priorities to which it relates;

(b) 'applicant' means a natural person or an entity with or without legal personality who has submitted an application in a grant award procedure;

(c) 'beneficiary' means a public or private body, responsible for initiating and implementing operations within a cross-border cooperation programme;

(d) 'lead IPA III beneficiary' means the IPA III beneficiary that has been appointed as leader and therefore hosts the contracting authority for the cross-border programme;

(e) 'Cross-Border Cooperation (CBC) Structures' means the institutions involved in the preparation and management of a given CBC programme in each of participating IPA III beneficiaries. The responsibilities of each of the CBC structures are defined depending on the management mode.

Article 66 Co-financing

(1) The Union co-financing rate at the level of each thematic priority shall not be higher than 85% of the eligible expenditure of a cross-border cooperation programme. For technical assistance, the Union co-financing rate shall be 100%.

TITLE II RULES FOR PROGRAMMING

Article 67 Thematic priorities and concentration of IPA III cross-border cooperation

(1) The thematic priorities contained in Annex III of the IPA III Regulation are grouped in thematic clusters in the IPA III programming framework to provide more focused assistance. A maximum of two thematic clusters shall be selected by the participating IPA III beneficiary for each cross-border cooperation programme, in addition to the thematic cluster 'improved capacity of regional and local authorities to tackle local challenges'.

(2) The cross-border cooperation programmes shall also include a specific budget allocation for technical assistance as indicated in Article 73.

Article 68 Geographical coverage

The participating IPA III beneficiaries and the Commission shall agree on the list of eligible regions, which shall be included in the relevant cross-border cooperation programme.

Article 69 Preparation, assessment, approval and amendment of cross-border cooperation programmes

(1) Cross-border cooperation programmes shall be drawn up in accordance with the model programme provided by the Commission and shall be prepared jointly by the participating IPA III beneficiaries.

(2) For each selected thematic priority, the participating IPA III beneficiaries shall agree on the specific objectives, expected results, targets and indicators and the types of activities to be supported including the identification of the main target groups and types of applicant.

(3) The cross-border cooperation programme shall be submitted to the Commission for approval by electronic means, by the lead IPA III beneficiary.

(4) The Commission shall assess the consistency of cross-border cooperation programmes with the IPA III programming framework and their effective contribution to the selected thematic priorities defined in Annex III of the IPA III Regulation.

(5) The Commission shall make observations within three months of the date of submission of the cross-border cooperation programme. The participating IPA III beneficiaries shall provide to the Commission all necessary additional information and, where appropriate, revise the proposed cross-border cooperation programme.

(6) Before approving the cross-border cooperation programme the Commission has to ensure that any of its observations have been adequately taken into account.

(7) At the initiative of the participating IPA III beneficiaries or of the Commission in agreement with the participating IPA III beneficiaries cross-border cooperation programmes may be amended.

(8) Requests for amendment of cross-border cooperation programmes submitted by the participating IPA III beneficiaries shall be duly substantiated and shall in particular set out the expected impact of the changes to the cross-border cooperation programme on achieving its objectives. These requests shall be accompanied by the revised

programme. Paragraphs (3) to (6) shall apply to amendments of cross-border cooperation programmes.

(9) The approval of the Commission shall not be required for corrections of a purely clerical or editorial nature that do not affect the implementation of the cross-border cooperation programme. The participating IPA III beneficiaries shall timely inform the Commission of such corrections after they have been carried out.

Amendments can be requested in one or more of the following cases:

(a) following a review of IPA III programming framework leading to changes in the strategies affecting substantially the cross-border cooperation programmes, including changes in the location of the contracting authority or in the financial plan;

(b) following significant socio-economic changes in the programme area;

(c) in order to take account of major changes in Union, IPA III beneficiary or regional priorities;

(d) following the results of the evaluations referred to in Article 55.

Article 70 Bilateral arrangements between IPA III beneficiaries for the management of cross-border cooperation programmes implemented in indirect management

(1) In indirect management, the participating IPA III beneficiaries shall conclude for the whole duration of the cross-border cooperation programme a bilateral arrangement setting out their respective responsibilities for implementing the relevant cross-border cooperation programme. The bilateral arrangement shall include:

(a) description of the main implementation structures and their roles and responsibilities;

(b) description of the management, financial, control and audit arrangements for the cross-border cooperation programme;

(c) the main implementation procedures including the process for the selection of operations and the monitoring at the level of operations and overall cross-border cooperation programme;

(d) provisions to ensure the legality and regularity of the expenditures incurred by the beneficiaries, and to ensure that the verifications referred to in Clause 8 (1)(b) and (c) of Annex A are carried out;

(e) remedial measures in case of implementation difficulties;

(f) provisions to guarantee the sound financial management of the funds allocated to the cross-border cooperation programme, and recovery of amounts unduly paid;

(g) procedures for exemption of taxes referred to in Article 28;

(h) details about the financial management of the programme, including payments between IPA III beneficiaries, record keeping, reporting obligations and irregularities.

TITLE III OPERATIONS

Article 71 Selection of operations

(1) Operations selected under a cross-border cooperation programme shall deliver clear cross-border impacts and benefits.

(2) Operations under cross-border cooperation programmes shall be selected by the contracting authority through calls for proposals covering the whole eligible area.

(3) Participating IPA III beneficiaries may also identify operations outside call for proposals. In that event, the operations shall be specifically mentioned in the cross-border cooperation programme referred to in Article 69.

(4) Operations selected for cross-border cooperation shall involve beneficiaries from at least two participating IPA III beneficiaries. Beneficiaries shall cooperate in the development and implementation of operations. In addition, they shall cooperate in either the staffing or the financing of operations or both.

(5) An operation may be implemented in a single participating IPA III beneficiary, provided that cross-border impacts and benefits are identified.

Article 72 Beneficiaries

(1) The beneficiaries shall be established in an IPA III beneficiary participating in the programme.

(2) The beneficiaries shall appoint one of them as lead beneficiary. The lead beneficiary shall ensure the implementation of the entire operation, monitor that the operation is implemented in accordance with the conditions set out in the contract and lay down the arrangements with other beneficiaries to guarantee the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid.

Article 73 Technical assistance

(1) Each cross-border cooperation programme shall include a specific budget allocation for technical assistance support, which shall be limited to 10% of the EU contribution to the cross-border cooperation programme.

(2) Technical assistance support may include, *inter alia*:

(a) preparation, management, monitoring, evaluation, information, communication, networking, dispute resolution, control and audit activities related to the implementation of the programme;

(b) activities to reinforce the administrative capacity for implementing the programme;

(c) activities for the reduction of the administrative burden for beneficiaries, including electronic data exchange systems, and activities to reinforce the capacity of, and exchange best practices between, authorities in the participating IPA III beneficiaries and of beneficiaries to manage IPA III assistance.

(d) financing of the Joint Technical Secretariat.

(3) Technical assistance support may also concern preceding and subsequent programming periods.

(4) In accordance with Article 29(2), the expenditure for technical assistance to support the preparation of a cross-border cooperation programme and the setting up of management and control systems may be eligible prior to the signature of the relevant financing agreement, contracts and addenda in the cases provided for in Article 27(6) of the NDICI Regulation.

TITLE IV IMPLEMENTATION

Article 74 Implementation modes

Cross-border cooperation programmes shall be implemented in direct management or indirect management with the lead IPA III beneficiary.

TITLE V PROGRAMME STRUCTURES AND AUTHORITIES AND THEIR RESPONSIBILITIES

Article 75 Structures and authorities for CBC management

(1) The following structures referred to in Article 10 shall be involved in the management of cross-border cooperation programmes in the IPA III beneficiaries:

(a) the NIPACs of the countries participating in the cross-border cooperation programme and, where applicable, the territorial cooperation coordinators, which are jointly responsible for ensuring that the objectives set out in the proposed cross-border cooperation programmes are consistent with the objectives in the IPA III programming framework;

(b) the NAO and the Management Structure of the lead IPA III beneficiary when the cross-border programme is implemented in indirect management;

(c) the cross-border cooperation structures in all the participating IPA beneficiaries which shall cooperate closely in the programming and implementation of the relevant cross-border cooperation programme. In case of indirect management the cross-border cooperation structure in the lead IPA III beneficiary shall perform the tasks of the Managing Authority. The Managing Authority shall designate Intermediate Bodies.

(d) the Audit Authority as referred to in Article 10(1), point (e), when the cross-border programme is implemented in indirect management with the IPA III beneficiary.

(2) The participating IPA beneficiaries shall establish for each cross-border cooperation programme a Joint Monitoring Committee (JMC) which shall also fulfil the role of the sectoral monitoring committee referred to in Article 53.

(3) A Joint Technical Secretariat (JTS) shall be set up to assist the Commission, the programme Management Structures and authorities, and the JMC. The same JTS may assist in the preparation and implementation of more than one cross-border cooperation programmes.

Article 76 Cross-border cooperation structures and Managing Authority

(1) Cross-border cooperation structures shall be established within the administration of each participating IPA III beneficiary to prepare, implement and manage the cross-border cooperation programmes. The same cross-border cooperation structure may be used for more than one cross-border cooperation programme.

(2) In indirect management, the cross-border cooperation structure of the lead IPA III beneficiary performs the tasks of the Managing Authority.

(3) The cross-border cooperation structures of the participating IPA III beneficiaries shall co-operate closely in tasks of mutual interest. They shall jointly fulfil the following functions and assume the following responsibilities:

(a) prepare the cross-border cooperation programmes in accordance with Article 69, or revisions thereof;

(b) prepare a bilateral arrangement in accordance with Article 70 in case of indirect management and ensure its implementation;

(c) cooperate in ensuring that the tasks referred to in paragraphs 4 and 5 of this Article are fulfilled;

(d) ensure participation to JMC meetings and other bilateral meetings;

(e) nominate their representative(s) to the JMC;

(f) set up the Joint Technical Secretariat (JTS) and ensure that it is adequately staffed;

(g) prepare and implement the strategic decisions of the JMC;

(h) support the work of the JMC and provide it with the information required to carry out its tasks, in particular data relating to the progress of the operational programme in achieving the specific objectives and targets per thematic priority as set up in the cross-border cooperation programme;

(i) establish a system to gather reliable information on the cross-border cooperation programme's implementation;

(j) draw up the annual and final implementation reports as referred to in Article 80;

(k) prepare and implement a coherent plan on communication and visibility;

(l) draw up an annual work plan for the JTS, to be approved by the JMC;

(4) If the cross-border cooperation programme is implemented in indirect management by the IPA III beneficiary, the Managing Authority shall, in addition to the provisions in Clause 6 of Annex A:

(a) nominate the voting members of evaluation committee and ensure that the evaluation committee includes one more voting member from the non-lead IPA III beneficiary, while the intermediate body for financial management will nominate, as it is its prerogative, the chair and the secretary of the committee;

(b) Prepare the technical documentation necessary for launching the calls in close cooperation with the other participating IPA III beneficiary;

(c) Carry out operational follow-up, monitor technical aspects of operations and confirm that operations have been carried out in close cooperation with the other participating IPA III beneficiary;

(5) If the cross-border cooperation programme is implemented in indirect management by the lead IPA III beneficiary, and the structures and authorities identified in Article 10(1), points (a) to (d), cannot carry out the management verifications throughout the programme area, the participating IPA III beneficiaries shall agree on how such management verification functions shall be carried out. The arrangements for conducting such verifications shall be spelled out in the bilateral arrangement referred to in Article 70.

Article 77 Audit Authority

(1) If the cross-border cooperation programme is implemented in indirect management by the IPA III beneficiary, the Audit Authority for the cross-border cooperation programme shall be the one from the lead IPA III beneficiary.

(2) Where the Audit Authority referred to in paragraph 1 does not have the authorisation to directly carry out its functions in the whole territory covered by the cross-border cooperation programme, it shall be assisted by a group of auditors comprising a representative of each IPA III beneficiary participating in the cross-border cooperation programme. The group of auditors shall be chaired by the Audit Authority of the lead country. The specific arrangements for conducting such functions shall be spelled out in the bilateral arrangement referred to in Article 70.

Article 78 Joint Monitoring Committee (JMC)

(1) The participating IPA III beneficiaries shall establish a JMC no later than six months from the entry into force of the financing agreement.

(2) Each participating IPA III beneficiary shall appoint its representatives to the JMC.

(3) The JMC shall be composed of representatives of the NIPACs and the territorial cooperation coordinators as appropriate, and representatives of the participating IPA III beneficiaries (central, regional, local authorities) including the cross-border cooperation structures, and where relevant other stakeholders such as civil society organisations. The Commission shall participate in the work of the JMC in an advisory capacity.

(4) The non-lead IPA III beneficiary shall chair the JMC.

(5) The JMC shall meet at least twice a year. Ad-hoc meetings may also be convened at the initiative of the participating IPA III beneficiary or the Commission.

(6) The JMC shall adopt its rules of procedure to be drawn up in consultation with the cross-border cooperation structures, the NIPACs and the Commission.

(7) Each participating IPA III beneficiary has equal voting rights regardless of the number of representatives it has appointed.

(8) The JMC shall:

(a) be responsible for identifying the thematic priorities, specific objectives, target beneficiaries and specific focus of each call for proposals which shall be endorsed by the Commission;

(b) examine and provide an advisory opinion on the list of operations selected through calls for proposals before the grant award decision. The contracting authority shall adopt the final decision on the award of grants;

(c) review the progress made in relation to achieving the specific objectives, expected results and targets per thematic priority as set out in the cross-border cooperation programme, on the basis of the information provided by the cross-border cooperation structures of the participating IPA III beneficiaries. Progress shall be monitored against the indicators set up in the cross-border cooperation programme;

(d) 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;

(e) approve any proposal to revise the cross-border cooperation programme. Whenever needed, it can make proposals to amend the cross-border cooperation programme as referred to in Article 69(7), to ensure the achievement of the objectives of the cross-border cooperation programme and enhance the efficiency effectiveness, impact and sustainability of the IPA III assistance. The JMC can also make recommendations as to how to improve the implementation of the cross-border cooperation programme;

(f) examine and approve the communication and visibility plan for the cross-border cooperation programme;

(g) examine and approve the evaluation plan referred to in Article 56(2);

(h) examine and approve the annual and final reports on implementation referred to in Article 80;

(i) examine and approve the annual work plan of the Joint Technical Secretariat.

(9) The JMC shall report to the IPA Monitoring Committee of the lead IPA III beneficiary.

Article 79 Joint Technical Secretariat (JTS)

(1) A JTS for each cross-border cooperation programme shall be set up to assist the Commission, the cross-border cooperation structures, the Managing Authority and the JMC, as applicable. It shall be located in the lead IPA III beneficiary. The JTS may have an antenna office in the other participating IPA III beneficiary. The JTS and the antenna office shall be located in the eligible area, except where otherwise agreed with the Commission.

(2) The operation of the JTS shall be financed from the technical assistance budget.

(3) The JTS shall comprise staff members coming from both IPA III beneficiaries participating in the cross-border cooperation programme.

(4) The JTS shall be managed by the cross-border cooperation structure of the lead IPA III beneficiary.

(5) Each year a work plan for the JTS shall be prepared by the cross-border cooperation structures and sent to the JMC for examination and approval.

(6) The JTS shall not participate in or contribute to management verifications and evaluation committees.

(7) The JTS may be responsible, inter alia, for the following tasks:

(a) organise meetings of the JMC, including draft and distribute minutes;

(b) assist potential applicants in partner search and project development, organising information days and workshops; develop and maintain a network of stakeholders;

(c) assist beneficiaries and partners in the implementation of operations;

(d) prepare, conduct and report on monitoring activities of cross-border cooperation operations;

(e) establish a system for gathering reliable information on the cross-border cooperation programme implementation;

(f) provide inputs to annual and final implementation reports on the cross–border programme;

(g) plan and implement information campaigns and other activities related to raising public awareness on the cross-border cooperation programme including the publication of publicity material on the cross-border programme and maintenance of the cross-border cooperation programme website.

TITLE VI REPORTING

Article 80 Annual and final implementation reports

(1) For the purposes of the reporting requirement established under Title III, the cross-border cooperation structures shall prepare an annual implementation report and a final implementation report for each cross-border cooperation programme. The final implementation report may include the last annual report. The report shall follow the model attached to the financing agreement.

(2) After examination and approval of the JMC, the reports shall be sent to the NIPAC and the NAO, as appropriate, of the lead IPA III beneficiary. The NIPAC of the lead IPA III beneficiary shall submit the reports to the NIPAC of the other participating IPA III beneficiaries and to the Commission in accordance to the reporting requirements set out in Title III.

SECTION VIII FINAL PROVISIONS

Article 81 Communication

Exchange of information and documents between the Commission and the IPA III beneficiary concerning programming, programmes, and their amendments as well as documentation relating to implementation of programmes shall to the extent possible be made by electronic means. The arrangements concerning the exchange of data shall be agreed between the Commission and the IPA III beneficiary and set out in the sectoral or financing agreement.

Article 82 Consultation

(1) Any question relating to the execution or interpretation of this Agreement shall be subject to consultation between the Parties leading, where necessary, to an amendment of this Agreement.

(2) Where there is a failure to carry out an obligation set out in this Agreement which has not been the subject of remedial measures taken in due time, the Commission may suspend this Agreement in accordance with Article 90.

(3) The IPA III beneficiary may renounce in whole or in part the implementation of IPA III assistance. To this aim, the IPA III beneficiary shall provide advance notice of at least 6 months. The Parties shall set out the details of the said renunciation in an exchange of letters or by amending the relevant financing agreement, as the case may be.

Article 83 Applicable law, settlement of disputes

(1) Any dispute and questions of interpretation arising out or in connection with this Agreement shall be governed by and construed in accordance with EU law.

(2) If a dispute concerning the interpretation, application or validity of the Agreement cannot be settled amicably, it shall be settled by arbitration in accordance with the 2012 PCA Arbitration Rules, subject to the following:

(a) Panel composition

For claims of EUR 500 000 or above: the panel shall be composed of three arbitrators. Each party shall appoint one arbitrator within 40 calendar days after the notice of arbitration has been sent. The two arbitrators appointed by the parties shall in turn appoint a third arbitrator to act as presiding arbitrator.

For claims below EUR 500 000: the panel shall be composed of one arbitrator, unless the parties agree otherwise.

If the panel is not composed within 80 calendar days after the notice of arbitration is sent, either party may request the PCA Secretariat or other mutually acceptable other neutral authority to appoint the necessary arbitrator(s).

(b) Seat

The seat of the arbitration panel shall be The Hague, Netherlands.

(c) Language

The language of the proceedings shall be English or another mutually acceptable official language of the European Union. Evidence may be produced in other languages, if agreed by the parties.

(d) Procedure

Recourse to interim measures, third party interventions and amicus curiae interventions is excluded.

If the panel is requested by a party to treat information or material confidentially, the decision shall be made in form of a reasoned order and after hearing the other party (10 calendar days to submit observations). The panel shall weigh the reasons for the request,

the nature of the information and the right to effective judicial protection. The panel may in particular:

- make disclosure subject to specific undertakings or
- decide against disclosure, but order the production of a non-confidential version or summary of the information or material, containing sufficient information to enable the other party to express its views in a meaningful way.

If the panel is requested to hear the case in camera, the decision shall be made after hearing the other party (10 calendar days to submit observations). The panel shall take into account the reasons for the request and the objections of the other party (if any).

If the panel is requested to interpret or apply European Union law, it shall stay the proceedings and request the 'President of the High Court of Paris' (Président du Tribunal de grande instance de Paris, 'juge d'appui'), in accordance with Articles 1460 and 1505 of the French Civil Procedural Code to request a preliminary ruling from the Court of Justice of the European Union in accordance with Article 267 TFEU. The proceedings before the arbitral tribunal shall resume once the decision by the juge d'appui is taken. The decision of the Court of Justice and of the juge d'appui shall be binding on the panel.

The arbitral award shall be final and binding on the parties and be carried out by them without delay.

Either party may however request that the award is reviewed by the The Hague Court of Appeal (Gerechtshof Den Haag) on the basis of the applicable national law. In this case, the award shall not be considered final until the end of this procedure. The decision by the reviewing court shall be binding on the panel.

(e) Costs

The costs of arbitration shall consist of:

- the fees and reasonable expenses of the arbitrators
- reasonable costs of experts and witnesses as approved by the panel and
- the fees and expenses of the PCA Secretariat for the arbitration proceedings (e.g. catering, providing for clerks, room, interpretation).

The arbitrators' fees shall not exceed

- EUR 30 000 per arbitrator if the contested amount is below EUR 1 000 000
- 9% of the contested amount if that amount is above EUR 1 000 000. In any case the arbitrators' fees shall not exceed EUR 300 000.

The costs of arbitration shall be borne by the parties in equal share, unless otherwise agreed.

The parties shall bear their own costs of legal representation and other costs incurred by them in relation to the arbitration.

(f) Privileges and immunities

The agreement to pursue arbitration under the 2012 PCA Arbitration Rules does not constitute and cannot be interpreted as a waiver of privileges or immunities of any of the parties, to which they are entitled.

Article 84 Disputes with third parties

(1) Without prejudice to the jurisdiction of any court designated in an IPA III-funded contract as the competent court for disputes arising out of a contract between the parties to it, the Union shall enjoy in the territory of the Republic of Türkiye immunity from suit, including arbitration except as provided for in Article 83 of this Agreement, and legal process with respect to any dispute between the European Commission and/or the IPA III beneficiary and a third party, or between third parties, which directly or indirectly relate to the provision of IPA III assistance to the IPA III beneficiary under this Agreement, except where the Union has expressly waived its immunity.

(2) The IPA III beneficiary shall in any legal or administrative proceedings before a court, tribunal or administrative instance in the Republic of Türkiye uphold this immunity and take a position which fully considers the interests of the Union. Where necessary, the IPA III beneficiary and the Commission shall proceed with advance consultations on the position to take.

Article 85 Notices

(1) Any communication in connection with this Agreement shall be made in writing and in the English language. Every communication shall be signed and be supplied as an original document, or scanned original document.

(2) Any communication in connection with this Agreement shall be sent to the following addresses:

For the Commission:

European Commission
Directorate-General for Neighbourhood and Enlargement Negotiations
Rue de la Loi 15
B-1049 Brussels, Belgium
E-mail: NEAR-B@ec.europa.eu

For the IPA III beneficiary:

National IPA Coordinator
Ministry of Foreign Affairs - Directorate for EU Affairs
Mustafa Kemal Mah
2082 Cad. No: 5
Ankara, Türkiye
E-mail: byabokm@ab.gov.tr

Article 86 Annexes

The Annexes to this Agreement shall be an integral part of this Agreement.

Article 87 Entry into force

This Agreement shall enter into force on the day on which the last of the Parties informs the other one in writing of its approval in accordance with the legislation or procedure of the Party.

Article 88 Applicability of the framework agreement for IPA II

Framework agreements signed between the Commission and the Republic of Türkiye shall remain applicable to assistance adopted under previous pre-accession instruments, until such assistance is completed in accordance with the terms of the relevant framework agreements.

Article 89 Amendment

This Agreement shall be reviewed following the mid-term evaluation of the Instrument for Pre-accession Assistance.

Any amendment agreed to by the Parties shall be in writing and will form part of this Agreement. Such amendment shall come into effect in accordance with the procedure set out in Article 87. The Commission may change or update unilaterally the Annexes, except for Annex A.

Article 90 Suspension by the Commission and termination

(1) This Agreement shall be in force for an indefinite period unless suspended by the Commission or terminated by written notification by either of the Parties. Suspension by the Commission shall take immediate effect unless otherwise notified. Termination shall take effect 3 months after the date of written notification.

(2) On suspension by the Commission or termination of this Agreement by either of the Parties, any assistance still in the course of execution shall be respectively suspended by the Commission or terminated except for the respect of acquired rights under specific IPA funded contracts.

Article 91 EU restrictive measures

(1) Definitions

(a) "EU Restrictive Measures" means restrictive measures adopted pursuant to the Treaty on European Union (TEU) or to the Treaty on the Functioning of the European Union (TFEU).

(b) "Restricted Person" means any entities, individuals or groups of individuals designated by the EU as subject to the EU Restrictive Measures[17].

(2) In all their relations, the Parties recognise that under EU law no EU funds or economic resources are to be made available directly or indirectly to, or for the benefit of, Restricted Persons.

(3) The IPA III Beneficiary shall ensure that no transaction subject to a verified hit against the EU sanctions list shall benefit directly or indirectly from EU funding. The IPA III Beneficiary commits to ensure this obligation:

(a) by screening for hits against the EU sanctions list, before entering into, and before making payments under, the relevant agreements, each Contractor, Grant Beneficiary, and Final Recipient with whom the IPA III Beneficiary has or is

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17 www.sanctionsmap.eu. The sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal of the European Union (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

expected to have a direct contractual relationship (direct recipient), so as to assess whether such recipient is a Restricted Person.

(b) by screening or through other appropriate means (that may include an ex-post verification) on a risk based approach basis, that no entity that would indirectly receive EU funding is a Restricted Person.

(4) In the event that IPA III Beneficiary assesses that any of the recipients (direct or indirect) of the EU funding is a Restricted Person, IPA III Beneficiary shall promptly inform the Commission.

(5) Without prejudice to the obligation in point 3 above, should the Commission assess that the use of Union financial assistance under IPA III results or has resulted in a breach of EU restrictive measures, the corresponding amounts shall not be eligible for the Union financial assistance under IPA III. This is without prejudice to any rights that the Commission may have to suspend or terminate the action affected by such breach, to recover any EU funding contributed by the Commission, or to suspend or terminate this financial framework partnership agreement.

(6) The determination of remedial measures will be made in accordance with the principle of proportionality. Remedial measures shall apply only to the EU funding made available to, or for the benefit of, a recipient for the period during which it remained a Restricted Person.

(7) This clause is without prejudice to the exceptions contained in the EU Restrictive Measures.

This Agreement is drawn up in two original copies in English language.

Signed, for and on behalf of the government of the Republic of Türkiye, in Ankara on 17.10.2022

by _____

Mr Faruk Kaymakci

Deputy Minister of Foreign Affairs and Director for EU Affairs, National IPA Coordinator

Signed, for and on behalf of the Commission, in Brussels on 6/10/2022

by _____

Ms Henrike Trautmann

Acting Director

ANNEX A

Functions and responsibilities of the structures and authorities established pursuant to Article 10 in indirect management by the IPA III beneficiary

Clause 1 General provisions

(1) Functions and responsibilities of the structures and authorities established pursuant to Article 10 in indirect management by the IPA III beneficiary, which are laid down in this Annex, arise from the provisions of this Agreement.

(2) The details on how those functions and responsibilities are exercised in practice may be further defined in:

(a) sectoral agreements, concluded pursuant to Article 9;

(b) financing agreements, concluded pursuant to Article 8;

(c) bilateral arrangements between IPA III beneficiaries for the management of cross-border cooperation programmes implemented in indirect management, concluded pursuant to Article 70;

(d) formal working arrangements detailing the rights and obligations of the structures and authorities, concluded pursuant to Article 11(3), point (a);

(e) set up of the internal control system, pursuant to Article 12(3), point (a);

(f) any other relationship which includes these structures and authorities, which is relevant for implementation of the IPA III assistance in indirect management by the IPA III beneficiary.

(3) The sources listed in paragraph 2 may contain additional functions and responsibilities of the structures and authorities established pursuant to Article 10.

Clause 2 All structures and authorities

The structures and authorities established in the IPA III beneficiary pursuant to Article 10(1), points (a) to (d), shall, within their respective mandates and competences, exercise the following functions and responsibilities:

(1) apply and promote the principles to Union financial assistance under IPA III, in accordance with Article 5(2);

(2) ensure legality and regularity of transactions under their responsibility;

(3) respect the principles of sound financial management, transparency and non-discrimination, in accordance with Article 12(2);

(4) ensure a level of protection of the financial interests of the European Union equivalent to the one that is provided for when the Commission implements the IPA III funds directly, in accordance with Articles 12(2) and 12(3);

(5) maintain compliance with the internal control framework, in accordance with Annex B;

(6) ensure internal audit of their structures and business processes;

(7) supervise subordinate entities;

(8) ensure and respect adequate segregation of duties;

(9) put in place effective and proportionate measures to combat irregularities, fraud, corruption and conflict of interest, in accordance with Article 51;

(10) ensure that the agents or representatives of the Commission, including OLAF, can inspect all relevant documentation and accounts pertaining to items financed from IPA III, in accordance with Article 50(4);

(11) assist the European Court of Auditors to carry out audits relating to the use of IPA III assistance, in accordance with Article 50(4);

(12) ensure protection of personal data equivalent to that referred to in Regulations (EU) 2018/1725 and (EU) 2016/679, in accordance with Article 12(3), point (f), and Article 25;

(13) ensure publicity, transparency, strategic communication and visibility of IPA III assistance, in accordance with Article 12(2) and Articles 23 and 24;

(14) facilitate with responsible authorities of the IPA III beneficiary granting of facilities for the implementation of actions and execution of contracts, and application of rules on taxes, custom duties and other fiscal charges, in accordance with Articles 27 and 28;

(15) participate in the monitoring committees and provide them with all information necessary to support their work, in accordance with Articles 52, 53 and 78;

(16) support evaluation assignments and facilitate the access to data and relevant information necessary for evaluations to be carried out, in accordance with Articles 55 and 56;

(17) retain documents and information to ensure a sufficiently detailed audit trail, in accordance with Articles 32 and 49;

(18) take all other necessary steps to facilitate the implementation of IPA III assistance, in accordance with Article 6(1), point (d).

Clause 3 The National IPA Coordinator (NIPAC)

(1) The NIPAC shall have a general coordination role of IPA III assistance in the IPA III beneficiary, in accordance with Article 6.

(2) The NIPAC shall bear overall responsibility for programming of the assistance by the IPA III beneficiary. In that context, the NIPAC shall:

(a) ensure close link between the use of IPA assistance and the general accession process, in accordance with Article 6(1), point (a);

(b) coordinate preparation and submit to the Commission a strategic response, in accordance with Article 16(3);

(c) coordinate preparation of action documents, in accordance with Article 16(3);

(d) coordinate preparation of programming documents of operational programmes in accordance with Article 16(5) and cross-border cooperation programmes in accordance with Article 69;

(e) coordinate preparation of programme amendments, in accordance with Articles 17 and 69, except for IPARD III programmes, for which the IPARD Managing Authority shall propose amendments to the Commission, with a copy to the NIPAC.

(f) submit major projects to the Commission for assessment, in accordance with Article 16(6);

(g) ensure that the relevant public authorities and stakeholders, such as economic, social and environmental partners, civil society organisations and local authorities are duly consulted and have timely access to the relevant information related to IPA III assistance, in accordance with Article 16(4).

(3) The NIPAC shall be responsible for the following management and control tasks:

(a) establishment, functioning and participation of stakeholders in monitoring committees, in accordance with Articles 52, 53 and 78;

(b) evaluation activities and access to data in the IPA III beneficiary, in accordance with Articles 55 and 56.

(4) The NIPAC shall comply with the reporting requirements laid down in Articles 59 and 60.

Clause 4 The National Authorising Officer (NAO)

(1) The NAO shall bear the overall responsibility for the financial management of IPA III assistance in the IPA III beneficiary and for legality and regularity of expenditure.

(2) The NAO shall bear the overall responsibility for setting up and functioning of the IPA III management and control system in the IPA III beneficiary. To that effect, the NAO shall:

(a) prepare and submit to the Commission a request for entrusting the IPA III beneficiary with budget implementation tasks for a given programme, in accordance with Articles 13(1) and 13(2);

(b) inform the Commission without delay of any substantive changes to the systems, rules or procedures that relate to the budget implementation tasks entrusted to the IPA III beneficiary, in accordance with Article 12(4);

(c) monitor the continued fulfilment by the structures and authorities of the requirements of Articles 12(2), 12(3) and Annex B;

(d) inform the Commission, with copy to the NIPAC and the Audit Authority, of any failure to satisfy these requirements, and take any appropriate safeguard measures regarding payments made or contracts signed, in accordance with Article 14(1);

(e) take all necessary steps in order to ensure the renewed fulfilment of the requirements of Articles 12(2) and 12(3) and Annex B.

(f) take account of the results of all external verifications and audits related to the IPA III management and control system, including those carried out by the Audit Authority, the Commission or the European Court of Auditors, and coordinate preparation and implementation of related action plans, with a view to improve the compliance and effectiveness of the IPA III management and control system;

(g) ensure investigation and effective treatment of suspected cases of irregularities, fraud, corruption and conflict of interest, and the functioning of a related control and reporting mechanism, in accordance with Article 51(2), (3) and (4);

(h) grant the anti-fraud coordination service referred to in Article 50(2) the possibility to report suspected irregularities and fraud directly and maintain a regular dialogue on irregularity reporting with that service, in order to prevent double reporting of cases or failure to report.

(3) In the area of financial management, the NAO shall:

(a) set up an accrual based accounting system to record and store, in electronic form, accurate, complete and reliable accounting records for each IPA III programme/action/operation implemented in indirect management by the IPA III beneficiary, in accordance with Article 58(2);

(b) organise and manage the system of euro accounts;

(c) send to the Commission a forecast of likely payment requests, in accordance with Article 33(3);

(d) send to the Commission payment requests and receive payments from the Commission, in accordance with Articles 33, 34, 35 and 36.

(e) ensure existence, correctness and availability of co-financing elements;

(f) make funds received from the Commission and public co-financing available to Intermediate Bodies for financial management for further transfer to the recipients of IPA III assistance;

(g) ensure existence and availability of sufficient resources to cope with possible shortages due to late transfer of funds from the Commission or recovery orders issued by the Commission, in accordance with Article 33(8);

(h) perform currency exchange operations where necessary;

(i) make financial adjustments, in accordance with Article 41;

(j) provide comments and information in the procedures for financial corrections, in accordance with Article 44;

(k) provide observations on the Commission's intention to interrupt or suspend payments in accordance with Articles 38 and 39, and take remedial measures where necessary;

(l) return funds to the Union budget following recovery orders issued by the Commission, in accordance with Articles 40 and 46;

(4) The NAO shall comply with reporting requirements laid down in Article 61.

Clause 5 The Management Structure (MS), the NAO Support Office (NAOSO) and the Accounting Body (AB)

(1) The Management Structure shall be composed of the NAO Support Office and the Accounting Body.

(2) The Accounting Body shall be located in the ministry of the IPA III beneficiary with central budgetary competence and shall act as central treasury entity.

(3) The NAO Support Office shall support the NAO in executing tasks laid down in Clause 4(2).

(4) The Accounting Body shall support the NAO in executing tasks laid down in Clause 4(3) and Article 61(5).

(5) The NAO Support Office and the Accounting Body shall co-operate with a view to ensure compliance, integrity, effectiveness and efficiency of the management, control and financial management system set up for implementation of IPA III assistance in the IPA III beneficiary.

Clause 6 The Managing Authority (MA)

(1) The Managing Authority of each programme shall be responsible for the overall management of the programme.

(2) The Managing Authority shall designate one or more Intermediate Bodies to carry out the tasks of financial management of the programme (Intermediate Bodies for financial management).

(3) The financial management tasks shall be segregated from the Managing Authority. The Intermediate Body for financial management shall take financial decisions within the programme autonomously.

(4) The Managing Authority shall supervise the performance of Intermediate Bodies for financial management, with due respect to their autonomy in taking financial decisions within the programme.

(5) The Managing Authority of a programme may designate one or more Intermediate Bodies to carry out the tasks of management of the policy area for which they are responsible in the system of government or administration of the IPA III beneficiary (Intermediate Bodies for policy management).

(6) The Managing Authority shall supervise the work of Intermediate Bodies for policy management.

(7) In order to manage programmes effectively, the Managing Authority may carry out the tasks identified in Clauses 2, 3(2), 3(3), 4(2) and 7(2) at programme level, as applicable.

(8) The Managing Authority shall comply with reporting requirements laid down in Article 62.

Clause 6a IPA Rural Development (IPARD) Managing Authority

(1) The IPARD Managing Authority shall be responsible for preparing and implementing the IPARD III programme, to be further detailed in the sectoral agreement.

(2) The IPARD Managing Authority shall carry out its functions with a view to the effective implementation of the IPARD III programme.

(3) In accordance with Article 10(1), point (d), it shall also be responsible for:

(a) drafting the IPARD III programme and any amendments to it, including those requested by the Commission;

(b) the controllability and verifiability of the measures, to be defined in the IPARD III programme in cooperation with the IPARD Agency;

(c) the selection of measures under each call for applications under the IPARD III programme and their timing, the eligibility conditions and the financial allocation per measure, per call. The decisions shall be made in agreement with the IPARD Agency;

(d) ensuring that the appropriate national legal basis for IPARD III implementation is in place and updated as necessary;

(e) assisting the work of the sectoral monitoring committee as referred to in Article 53, notably by providing the documents necessary for monitoring the quality of implementation of the IPARD III programme.

(4) The IPARD Managing Authority shall set up a reporting and information system to gather financial and statistical information on progress of the IPARD III programme, also on the basis of information to be provided by the IPARD Agency, and shall forward this data to the IPARD III monitoring committee, in accordance with arrangements agreed between the Republic of Türkiye and the Commission, using where possible computerised systems permitting the exchange of data with the Commission and linked to the reporting and information system to be set up by the NAO.

The reporting and information system should contribute to the annual and final implementation reports referred to in Article 59.

(5) The IPARD Managing Authority shall propose amendments of the IPARD III programme to the Commission, with a copy to the NIPAC, after consultation with the IPARD Agency, and following agreement by the IPARD III monitoring committee. The IPARD Managing Authority shall be responsible for ensuring that the relevant authorities are informed of the need to make appropriate administrative changes when such changes are required following a decision by the Commission to amend the IPARD III programme.

(6) Each year, the IPARD Managing Authority shall draw up an action plan for the intended operations under the Technical Assistance measure, which shall be submitted to the IPARD III monitoring committee for agreement.

(7) The IPARD Managing Authority shall draw up an evaluation plan in accordance with Article 56. It shall be submitted to the sectoral monitoring committee as referred to in Article 53 not later than one year after the adoption of the IPARD III programme by the Commission. It shall report to the IPARD III monitoring committee and to the Commission on the progress made in implementing this plan.

(8) The IPARD Managing Authority shall draw up a coherent plan of visibility and communication activities in accordance with Article 24 and shall consult and inform the Commission, having taken advice from the sectoral monitoring committee. The plan shall in particular show the initiatives taken and those to be taken, with regard to informing the general public about the role played by the Union in the IPARD III programme and its results.

(9) When a part of its tasks is delegated to another body, the IPARD Managing Authority shall retain full responsibility for the management and implementation of those tasks in accordance with the principle of sound financial management.

Clause 6b IPA Rural Development (IPARD) Agency

(1) The IPARD Agency shall be allocated the functions and responsibilities to be further detailed in the sectoral agreement.

In accordance with Article 10(1), it shall also be responsible for:

(a) providing a confirmation to the Managing Authority on the controllability and verifiability of the measures in the IPARD III programme;

(b) making calls for applications and publicising terms and conditions for eligibility with prior agreement with the Managing Authority on the issues raised in Clauses 6a(3)(c) and 8(2)(c);

(c) selecting the projects to be implemented;

(d) laying down contractual obligations in writing between the IPARD Agency and the recipients, including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work. The IPARD Agency may continue to contract or enter into commitments under this Agreement for a specific measure up to the date when the Republic of Türkiye starts to contract or to enter into commitments for this measure under any successor IPARD III programme;

(e) follow-up action to ensure progress of projects being implemented;

(f) reporting on progress of measures being implemented against indicators;

(g) ensuring that the recipient is made aware of the Union's contribution to the project;

(h) ensuring irregularity reporting at national level;

(i) ensuring that the NAO, the Management Structure and the IPARD Managing Authority receive all information necessary for them to perform their tasks;

(j) ensuring compliance with the obligations concerning publicity referred to in Article 23.

(2) In respect of investments in infrastructure projects of a type that would normally be expected to generate substantial net revenue, the IPARD Agency shall assess, prior to entering into contractual arrangements with a potential recipient, whether the project is of this type. Where it can be concluded that it is, the IPARD Agency shall ensure that the public aid from all sources does not exceed 50% of total costs related to the project and considered as eligible for Union co-financing.

(3) The IPARD Agency shall ensure that for any project under the IPARD III programme the accumulation of public aid granted from all sources does not exceed the maximum ceilings for public expenditure.

Clause 7 The Intermediate Body for policy management (IBPM)

(1) Where designated, the Intermediate Body for policy management shall support the Managing Authority in all matters for which it is responsible in the system of government or administration of the IPA III beneficiary.

(2) Where designated, the Intermediate Body for policy management shall provide technical expertise to the programming, implementation, management and control of the programme. In this context, the Intermediate Body for policy management shall:

(a) propose operations for financing and draft programming documents;

(b) prepare technical documentation necessary for launching calls for tender and calls for proposals and assist in preparation of replies to requests for clarification;

(c) nominate voting members of evaluation committees;

(d) set up a team of experts, or support the Managing Authority in setting up such a team, to absorb outputs of the actions and contracts under implementation;

(e) monitor technical aspects of actions and contracts;

(f) confirm that the contracted services have been provided, supplies have been delivered and installed, works have been finalised and actions have been carried out;

(g) perform any other task or support any other request which depends on technical expertise of the Intermediate Body for policy management.

Clause 8 The Intermediate Body for financial management (IBFM)

(1) In co-operation with other structures and authorities, the Intermediate Body for financial management shall:

(a) ensure that the activities are proposed for funding in accordance with the procedures and criteria applicable to the programme, action, call for tender and call for proposals;

(b) perform monitoring at contract level, including administrative, financial, technical and physical aspects of contract execution;

(c) verify that the payments to recipients comply with the Union and IPA III beneficiary law, programme requirements and contract conditions;

(2) The Intermediate Body for financial management shall autonomously perform the following tasks:

(a) manage procurement procedures, grant award procedures and other contracting procedures, in accordance with Article 18, 19 and 22;

(b) ensure that the activities are selected for funding in accordance with the procedures and criteria applicable to the programme, action, call for tender and call for proposals;

(c) conclude contracts and addenda;

(d) authorise payments to the recipients of IPA III assistance;

(e) authorise recoveries from the recipients of IPA III assistance.

Clause 9 The Audit Authority (AA)

(1) The IPA III beneficiary shall provide for the Audit Authority, which shall be a public entity functionally independent from the structures and authorities referred to in Article 10(1), points (a) to (d). The Audit Authority shall enjoy necessary financial autonomy.

(2) The head of the Audit Authority shall possess adequate competence, knowledge and experience in the field of audit to carry out the required tasks.

(3) Audit work done by the Audit Authority shall be carried out in accordance with internationally accepted audit standards. It shall include systems audits, audits on operations and audits of accounts.

(4) By the end of November each year, the Audit Authority shall provide the Commission, with a copy to the NAO, an audit strategy based on a risk assessment, in accordance with the model set out in Annex G. The audit strategy shall cover the three following financial years and shall be updated annually. Further specific requirements for the audit strategy may be set out in the sectoral or financing agreements.

(5) The Commission may provide further guidance on the methodology for the audit work, reports and opinions.

(6) The Audit Authority shall comply with reporting requirements laid down in Article 63.

ANNEX B

INTERNAL CONTROL FRAMEWORK

The components, principles and characteristics of the IPA III internal control framework in indirect management by beneficiary countries

I. CONTROL ENVIRONMENT

The control environment is the set of standards of conduct, processes, and structures that provide the basis for carrying out internal control across an organisation[18]. The senior management[19] set the tone at the top for the importance of internal control, including expected standards of conduct.

1. The organisation demonstrates a commitment to integrity and ethical values.

Characteristics:

1.1. *Tone at the top.* All management levels respect integrity and ethical values in their instructions, actions and behaviour.

1.2. *Standards of conduct.* The integrity and ethical values are set out in standards of conduct and understood at all levels of the organisation, as well as by outsourced service providers and beneficiaries.

1.3. *Alignment with standards.* Processes are in place to assess whether individuals and entities are aligned with the standards of conduct and to address deviations in a timely manner.

2. The senior management exercises oversight of the development and performance of internal control.

Characteristics:

2.1. *The senior management oversees the governance, risk management and internal control practices and takes overall responsibility for management at lower levels.* This happens through the use of appropriate working arrangements and communication channels.

2.2. *Each manager oversees the internal control systems within their entity.* Each manager oversees the development and performance of internal control. They are supported in this task by internal control coordinators.

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[18] In this Annex organisation means the whole system established in a beneficiary country for management and control of IPA III.

[19] In this Annex senior management comprises the NAO and the heads of Managing Authority.

2.3. *Each senior manager provides a declaration of assurance* on the appropriate allocation of resources and their use for their intended purpose and in accordance with the principles of sound financial management, as well as on the adequacy of the control procedures in place.

2.4. *The internal control coordinators play a key role by coordinating the preparation of the declarations of assurance.*

3. Management establishes structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

Characteristics:

3.1. *Management Structures are comprehensive.* The design and implementation of management and supervision structures cover all policies, programmes and activities. They cover all expenditure types, delivery mechanisms and entities in charge of budget implementation to support the achievement of policy, operational and control objectives.

3.2. *Authorities and responsibilities.* Senior managers, as appropriate, delegate authority and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the organisation.

3.3. *Reporting lines.* Senior managers design and evaluate reporting lines within entities to enable the execution of authority, fulfilment of responsibilities, and flow of information.

4. The organisation demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

Characteristics:

4.1. *Competence framework.* Entities define the competences necessary to support the achievement of objectives and regularly evaluate them across the organisation, taking action to address shortcomings where necessary.

4.2. *Professional development.* Entities provide the training and coaching needed to attract, develop, and retain a sufficient number of competent staff.

4.3. *Mobility.* Entities plan staff mobility to strike the right balance between continuity and renewal.

4.4. *Succession planning and deputising arrangements* for operational activities and financial transactions are in place to ensure continuity of operations.

5. The organisation holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

Characteristics:

5.1. *Enforcing accountability.* The organisation defines clear roles and responsibilities and holds individuals accountable for the performance of internal control responsibilities across the organisation and for the implementation of corrective action as necessary.

5.2. *Staff appraisal.* Staff efficiency, abilities and conduct in the service are assessed annually against expected standards of conduct and set objectives. Cases of underperformance are appropriately addressed.

5.3. *Staff promotion.* Promotion is decided after consideration of the comparative merits of eligible staff taking into account, in particular, their appraisal reports.

II. RISK ASSESSMENT

Risk assessment is a dynamic and iterative process for identifying and assessing risks, which could affect the achievement of objectives, and for determining how such risks should be managed.

6. The organisation specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

Characteristics:

6.1. *Mission.* The entities have up-to-date mission statements that are aligned across all hierarchical levels, down to the tasks and objectives assigned to individual staff members. Mission statements are aligned with the entities' responsibilities and the policy objectives.

6.2. *Objectives are set at every level.* The entities' objectives are clearly set and updated when necessary (e.g. significant changes in priorities, activities or the organigram). They are consistently filtered down to the various levels of the organisation, and are communicated and understood by management and staff.

6.3. *Objectives are set for the most significant activities.* Objectives[20] and indicators[21] cover the entity's most significant activities contributing to the delivery of priorities as well as operational management.

6.4. *Objectives form the basis for committing resources.* Management uses the objectives set as a basis for allocating available resources as needed to achieve policy, operational and financial performance goals.

6.5. *Financial reporting objectives.* Financial reporting objectives are consistent with the accounting principles required by the Commission.

6.6. *Non-financial reporting objectives.* Non-financial reporting provides management with accurate and complete information needed to manage the organisation at all levels.

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[20] Objectives must be SMART.

[21] Indicators must be RACER.

6.7. *Risk tolerance and materiality.* When setting objectives, management defines the acceptable levels of variation relative to their achievement (tolerance for risk) as well as the appropriate level of materiality for reporting purposes, taking into account cost-effectiveness.

6.8. *Monitoring.* Setting objectives and performance indicators make it possible to monitor progress towards their achievement.

7. The organisation identifies risks to the achievement of its objectives and analyses risks as a basis for determining how the risks should be managed.

Characteristics:

7.1. *Risk identification.* Each entity identifies and assesses risks at various organisational levels, analysing internal and external factors. Management and staff are involved in the process at the appropriate level.

7.2. *Risk assessment.* The entity estimates the significance of the risks identified and determines how to respond to significant risks considering how each one should be managed and whether to accept, avoid, reduce or share the risk. The intensity of mitigating controls is proportional to the significance of the risk.

7.3. *Risk identification and risk assessment are integrated into the annual planning* and are regularly monitored.

8. The organisation considers the potential for fraud in assessing risks to the achievement of objectives.

Characteristics:

8.1. *Risk of fraud.* The risk identification and assessment procedures (see principle 7) consider possible incentives, pressures, opportunities and attitudes which may lead to any type of fraud, notably fraudulent reporting, loss of assets, disclosure of sensitive information and corruption.

8.2. *Anti-fraud strategy.* The organisation as a whole and each entity set up and implement measures to counter fraud and any illegal activities affecting the financial interests of the EU. They do this by putting in place a sound anti-fraud strategy to improve the prevention, detection and conditions for investigating fraud, and to set out reparation and deterrence measures, with proportionate and dissuasive sanctions.

9. The organisation identifies and assesses changes that could significantly impact the internal control system.

Characteristics:

9.1. *Assess changes.* The risk identification process considers changes in the internal and external environment, in policies and operational priorities, as well as in management's attitude towards the internal control system.

III. CONTROL ACTIVITIES

Control activities ensure the mitigation of risks related to the achievement of policy, operational and internal control objectives. They are performed at all levels of the organisation, at various stages of business processes, and across the technology environment. They may be preventive or detective and encompass a range of manual and automated activities as well as segregation of duties.

10. The organisation selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Characteristics:

10.1. *Control activities are performed to mitigate the identified risks.* They are tailored to the specific activities and risks of each entity and their intensity is proportional to the underlying risks.

10.2. *Control activities are integrated in a control strategy.* The control strategy includes a variety of checks, including supervision arrangements, and where appropriate, should include a balance of approaches to mitigate risks, considering manual and automated controls, and preventive and detective controls.

10.3. *Segregation of duties.* When putting in place control measures, management considers whether duties are correctly divided between staff members to reduce risks of error and inappropriate or fraudulent actions.

10.4. *Business continuity plans* based on a business impact analysis are in place, up-to-date and used by trained staff to ensure that the organisation is able to continue working to the extent possible in case of a major disruption. Where necessary, business continuity plans must include coordinated and agreed disaster recovery plans for time-sensitive supporting infrastructure (e.g. IT systems).

11. The organisation selects and develops general control activities over technology to support the achievement of objectives.

Characteristics:

11.1. *Control over technology.* In order to ensure that technology used in business processes, including automated controls, is reliable, and taking into account the overall corporate processes, entities select and develop control activities over the acquisition, development and maintenance of technology and related infrastructure.

11.2. *Security of IT systems.* Entities apply appropriate controls to ensure the security of the IT systems of which they are the system owners. They do so in accordance with the IT security governance principles, in particular as regards data protection, professional secrecy, availability, confidentiality and integrity.

12. The organisation deploys control activities through corporate policies that establish what is expected and in procedures that put policies into action.

Characteristics:

12.1. *Appropriate control procedures ensure that objectives are achieved.* The control procedures assign responsibility for control activities to the entity or individual responsible for the risk in question. The staff member(s) put in charge perform the control activities in a timely manner and with due diligence, taking corrective action where needed. Management periodically reassesses the control procedures to ensure that they remain relevant.

12.2. *Exception reporting* is one of the management tools used to draw conclusions about the effectiveness of internal control and the changes needed in the internal control system. A system is in place to ensure that all instances of overriding controls or deviations from established processes and procedures are documented in exception reports. All instances must be justified and approved before action is taken, and logged centrally.

12.3. *The impact assessment and evaluation* of expenditure programmes, legislation and other non-spending activities are performed in accordance with legal requirements and best practices, to assess the performance of EU interventions and analyse options and related impacts on new initiatives.

IV. INFORMATION AND COMMUNICATION

Information is necessary for the organisation to carry out internal control and to support the achievement of objectives. There is external and internal communication. External communication provides the public and stakeholders with information on the organisation's objectives and actions. Internal communication provides staff with the information it needs to achieve its objectives and to carry out day-to-day controls.

13. The organisation obtains or generates and uses relevant quality information to support the functioning of internal control.

Characteristics:

13.1. *Information and document management.* Entities identify the information required to support the functioning of the internal control system and the achievement of objectives. Information systems process relevant data, captured from both internal and external sources, to obtain the required and expected quality information, in compliance with applicable security, document management and data protection rules. This information is produced in a timely manner, and is reliable, current, accurate, complete, accessible, protected, verifiable, filed and preserved. It is shared within the organisation in line with prevailing guidelines.

14. The organisation internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

Characteristics:

14.1. *Internal communication.* The entities communicate internally about their objectives, challenges, actions taken and results achieved, including but not limited to the objectives and responsibilities of internal control.

14.2. *Separate communication lines,* such as whistleblowing hotlines, are in place at organisation level to ensure information flow when normal channels are ineffective.

15. The organisation communicates with external parties about matters affecting the functioning of internal control.

Characteristics:

15.1. *External communication.* All entities ensure that their external communication is consistent and relevant to the audience being targeted. The organisation establishes clear responsibilities to align entities' communication activities with the organisation's priorities and narrative.

15.2. *Communication on internal control.* The organisation communicates with external parties on the functioning of the components of internal control. Relevant and timely information is communicated externally, taking into account the timing, audience, and nature of the communication, as well as legal, regulatory, and fiduciary requirements.

V. MONITORING ACTIVITIES

Continuous and specific assessments are used to ascertain whether each of the five components of internal control is present and functioning. Continuous assessments, built into business processes at different levels of the organisation, provide timely information on any deficiencies. Findings are assessed and deficiencies are communicated and corrected in a timely manner, with serious matters reported as appropriate.

16. The organisation selects, develops, and performs ongoing or specific assessments to ascertain whether the components of internal control are present and functioning.

Characteristics:

16.1. *Continuous and specific assessments.* The entities continuously monitor the performance of the internal control system with tools that make it possible to identify internal control deficiencies, register and assess the results of controls, and control deviations and exceptions. Ongoing assessments are built into business processes and adjusted to changing conditions. In addition, when necessary, the entities carry out specific assessments and internal audit, taking into account changes in the control environment.

16.2. *Sufficient knowledge and information.* Staff performing ongoing or specific assessments has sufficient knowledge and information to do this, specifically on the scope and completeness of the results of controls, control deviations and exceptions.

16.3. *Risk-based and periodical assessments.* The entities vary the scope and frequency of specific assessments and internal audit depending on the identified risks. Specific assessments and internal audit are performed periodically to provide objective feedback.

17. **The organisation assesses and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management.**

Characteristics:

17.1. *Deficiencies.* With the support of internal control coordinators, the managers consider the results of the assessments of how the internal control system is functioning within the entity. Deficiencies are communicated to management and to the entities responsible for taking corrective action.

The term 'internal control deficiency' means a shortcoming in a component or components and relevant principle(s) that reduces the likelihood of an entity achieving its objectives. There is a major deficiency in the internal control system if management determines that a component and one or more relevant principles are not present or functioning or that components are not working together. When a major deficiency exists, the manager cannot conclude that it has met the requirements of an effective system of internal control. To classify the severity of internal control deficiencies, management has to use judgment based on relevant criteria contained in regulations, rules or external standards.

17.2. *Remedial action.* Corrective action is taken in a timely manner by the staff member(s) in charge of the processes concerned, under the supervision of their management. With the support of the internal control coordinator, each manager monitors and takes responsibility for the timely implementation of corrective action.

ANNEX C

Model for the management declaration

I, the undersigned (*name, first name, title or function*), National Authorising Officer (NAO) of (*IPA III beneficiary*) for the programme (*name of the programme*)

based on the implementation of the (*name of programme*) during the financial year ended 31 December (*year*) (except where otherwise provided for in a sectoral agreement or a financing agreement), based on my own judgment and on all information available to me, including the results from management verifications, and from audits in relation to the expenditure included in the annual accounts, annual financial reports and statements for the financial year (year),

and taking into account my obligations under the financial framework partnership agreement between the European Commission and [IPA III Beneficiary] on the Arrangements for Implementation of Union Financial Assistance to [IPA III Beneficiary] under the Instrument for Pre-accession Assistance (IPA III) dated [date],

hereby declare that:

- the information in the annual accounts, annual financial reports or statements is properly presented, complete and accurate,
- the expenditure entered in the annual accounts, annual financial reports or statements complies with applicable law and was used for its intended purpose,
- the management and control system put in place for the programme gives the necessary guarantees concerning the legality and regularity of the underlying transactions.

I confirm that irregularities identified in the audit and control reports in relation to the financial year have been appropriately treated in the annual accounts, annual financial reports and statements.

I also confirm that expenditure which is subject to an ongoing assessment of its legality and regularity has been excluded from the annual accounts, annual financial reports and statements pending conclusion of the assessment, for possible inclusion in a payment application in a subsequent financial year.

Adequate follow-up was given to deficiencies in the management and control system reported in those reports or follow-up is on-going as regards the following required remedial actions: ..... (*Indicate which remedial actions are still on-going, at the date of signing the declaration*).

I also confirm that effective and proportionate anti-fraud measures are in place and that these take account of the risks identified in that respect.

Finally, I confirm that I am not aware of any undisclosed reputational matter related to the implementation of the programme.

[Reservations section to be included wherever it is deemed required.]

(Place and date of issue)

Signature

(Name, first name, title or function)

ANNEX D

Model annual audit activity report[1]

addressed to

- the European Commission
- the Government of *(IPA III beneficiary)*
- copy to the National IPA Coordinator (NIPAC) of *(IPA III beneficiary)* and
- copy to the National Authorising Officer (NAO) of *(IPA III beneficiary)*

1. INTRODUCTION

1.1 Identification of the Audit Authority and other bodies that have been involved in preparation of the report.

1.2 Reference period (i.e. the financial year and the 12 months period from 1 July … (*year*) to 30 June … (*year*), except where otherwise provided for in a sectoral agreement or a financing agreement) and the scope of the audits (including the costs recognised declared to the Commission for the period concerned).

1.3 Identification of the programme/action(s)/sector(s) covered by the report and of its/their Managing Authority and Intermediate Bodies.

1.4 Description of the steps taken to prepare the report and to draw the audit opinion.

2. SIGNIFICANT CHANGES IN MANAGEMENT AND CONTROL SYSTEMS

2.1 Details of any major changes in the management and control systems and confirmation of its compliance with Article 8 of Commission Implementing Regulation (EU) 2021/2236 based on the audit work carried out by the Audit Authority.

2.2 The dates from which these changes apply, the dates of notification of the changes to the Audit Authority, as well as the impact of these changes on the audit work are to be indicated.

3. CHANGES TO THE AUDIT STRATEGY

3.1 Details of any changes made to the audit strategy and related explanations. In particular, indicate any change to the sampling method used for the audit of operations (see Section 5).

3.2 The Audit Authority differentiates between the changes made at a late stage, which do not affect the work done during the reference period and the changes made during the reference period, that affect the audit work and results.

Only the changes compared to the previous version of the audit strategy are included.

4. SYSTEMS AUDITS

4.1 Details of the authorities/bodies that have carried out systems audits, including the Audit Authority itself.

4.2 Summary table of the audits carried out, with the indication of the authorities/bodies audited, the assessment of the key requirements for each authority/body, issues covered[2]

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[1] Pursuant to Article 63(2) of the financial framework partnership agreement

[2] The issues should correspond to the ones indicated in the audit strategy (but not exclusively), such as quality of management verifications, including in relation to the respect of public procurement rules, State aid rules, environmental requirements, equal opportunities, implementation of financial instruments, the effectiveness of IT systems, reporting of withdrawals and recoveries, the implementation of fraud risk assessment; the reliability of data relating to indicators and milestones and on the progress of the programme in achieving its objectives.

and a comparison to the audit planning. The summary includes the programme (reference/title), the authority/body that has carried out the system audit, the date of the audit, the scope of audit including scope limitations and the authorities/bodies audited. Horizontal thematic audits are also reported in this Section.

Audit period	1. Programme (reference/ title)	2. Audit Body[3]	3. Audited Body(ies)	4. Date of the audit[4]	5. Scope of the audit[5]	6. Principal findings and conclusions	7. Problems of systemic character and measures taken	8. Estimated financial impact (if applicable)	9. State of follow-up (closed/or not)

4.3 Description of the basis for the audits carried out, including a reference to the audit strategy applicable and more particularly to the risk assessment methodology and the results that led to establishing the audit plan for system audits. If the risk assessment has been updated, this should be described in section 3 above covering the changes in the audit strategy.

4.4 Description of the main findings and conclusions drawn from systems audits, including audits targeted at specific thematic areas.

4.5 Indications as to whether any problems identified were considered to be of a systemic character, details of the measures taken, including a quantification of the irregular expenditure and any related financial adjustments/corrections made.

4.6 Information on the follow up of audit recommendations from systems audits from previous years.

4.7 Description (where applicable) of specific deficiencies related to the management of financial instruments, detected during systems audits and of the follow-up given by the IPA III beneficiary to remedy these shortcomings.

4.8 Level of assurance obtained following the systems audits (low/average/high) and justification.

5. AUDITS OF OPERATIONS

5.1 Identification of the authorities/bodies that carried out the audits of operations, including the Audit Authority.

5.2 Description of the sampling methodology applied and information as to whether the methodology is in accordance with the audit strategy.

5.3 Indication of the sampling parameters and other information for statistical or non-statistical sampling procedures, the underlying calculations for sample selection (in a format permitting an understanding of the basic steps taken, in accordance with the specific sampling method used) and explanation of the professional judgement applied.

[3] Indication of the bodies that have carried out the system audit, including the Audit Authority itself.

[4] Date of audit fieldwork.

[5] Authorities audited, horizontal thematic audited, scope limitations, ...

The information should include: materiality level, confidence level, sampling unit, expected error rate, sampling interval, standard deviation, population value, population size, sample size and information on stratification.

5.4 Reconciliation between the costs recognised declared to the Commission for the 12 months period and the population from which the random sample was drawn. Reconciling items include negative items where financial adjustments/corrections have been made, as well as differences between amounts declared in euro and amounts in IPA III beneficiary currency, where relevant.

5.5 Where there are negative items, confirmation that they have been treated as a separate population. Analysis of the principal results of the audits of these units, namely focusing on verifying whether the amounts correspond to the decisions to apply financial adjustments/ corrections (taken by the IPA III beneficiary or by the Commission) and reconcile with the amounts included in the accounts as withdrawn and recovered / to be recovered.

5.6 Where a non-statistical sampling method is used, specify the reasons for using the method, the percentage of sampling units/costs recognised covered by audits, the steps taken to ensure randomness of the sample bearing in mind that the sample has to be representative. In addition, define the steps taken to ensure a sufficient size of the sample enabling the Audit Authority to draw up a valid audit opinion. A total (projected) error rate is also calculated where non-statistical sampling method has been used.

5.7 Summary table (see Section 9), broken down where applicable by programme, indicating the costs recognised and payments made declared to the Commission, the costs recognised audited and the errors identified.

Information relating to the random sample is distinguished from that related to other samples if applicable (e.g. risk-based complementary samples).

5.8 Analysis of the main findings of the audits of operations, describing:

a) the number of sampling units audited, the respective amount;
b) the amount and type of error by sampling unit[6];
c) total errors[7];
d) the nature of the errors found[8];
e) root causes, corrective measures proposed, including those intending to improve the management and control system and the impact on the audit opinion.

5.9 Details of the total error rate[9] and residual error rate[10]. Indication of the upper limit of the error rate (where applicable).

Indication of the stratum total and residual error rates[11], corresponding deficiencies, irregular amounts and the impact on the audit opinion.

The underlying calculations for total error rate and residual error rate, in a format permitting an understanding of the basic steps taken, in accordance with the specific sampling method used.

5.10 Comparison of the total error rate and the residual error rate with the materiality level of 2%, in order to ascertain if the population is materially misstated and the impact on the audit opinion.

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[6] Random, systemic, anomalous.

[7] 'Total errors' means the sum of the projected random errors and, if applicable, systemic errors and uncorrected anomalous errors

[8] For instance: eligibility, public procurement, state aid

[9] 'Total error rate' means total errors divided by the population.

[10] 'Residual error rate' means the total errors less the financial adjustments applied by the IPA III beneficiary (referred to in Section 5.11), divided by the population.

[11] The stratum error rates are to be disclosed where stratification was applied, covering sub-populations with similar characteristics, high-value items, programmes (in the case of grouping programmes, etc.

5.11 Details of any financial adjustments/corrections relating to the 12 months period implemented before submitting the annual financial reports or statements/annual accounts to the Commission, as a consequence of the audits of operations, including flat rate or extrapolated adjustments/corrections.

5.12 Details of whether any problems identified were considered to be systemic in nature, and the measures taken, including a quantification of the irregular costs recognised and any related financial adjustments/corrections.

5.13 Information on the follow-up of audits of operations carried out in previous years, in particular on serious deficiencies of systemic nature. Revision of previously reported residual error rates, as a result of all subsequent corrective actions.

5.14 Information on the results of the audit of the complementary (e.g. risk based) sample, if any.

5.15 Description (where applicable) of specific deficiencies or irregularities related to financial instruments. Where applicable, indication of the sample error rate concerning the audited financial instruments.

5.16 Conclusions drawn from the results of the audits with regard to the effectiveness of the management and control system.

6. AUDITS OF THE ANNUAL FINANCIAL REPORTS OR STATEMENTS/ANNUAL ACCOUNTS

6.1 Indication of the authorities/bodies that have carried out audits of the annual financial reports or statements/annual accounts.

6.2 Description of audit approach used to verify that the annual financial reports or statements/annual accounts are complete, accurate and true. This shall include a reference to the audit work carried out in the context of systems audits, audits of operations and additional verifications carried out on the annual financial reports or statements/annual accounts.

6.3 Conclusions drawn from the audits in relation to the completeness, accuracy and veracity of the annual financial reports or statements/annual accounts, including an indication on the financial adjustments/corrections made and reflected in the annual financial reports or statements/annual accounts as a follow-up of these conclusions.

6.4 Indication of whether any problems identified were considered to be systemic in nature, and the measures taken.

7. OTHER INFORMATION

7.1 Audit Authority's assessment of the cases of suspicions of fraud detected in the context of their audits (and of the cases reported by other national or Union bodies and related to operations audited by the Audit Authority), together with the measures taken. Information on number of cases, gravity, and the amounts affected, if known.

7.2 Subsequent events occurred after the end of the 12 months period and before the transmission of the annual audit activity report to the Commission and considered when establishing the level of assurance and opinion by the Audit Authority.

7.3 Any other information that the Audit Authority considers relevant and important to communicate to the Commission, in particular to justify the audit opinion.

8. OVERALL LEVEL OF ASSURANCE

8.1 Indication of the overall level of assurance on the proper functioning of the management and control system, and an explanation on how the level was obtained from the combination of the results of the systems audits and audits of operations. Where relevant, the Audit

Authority shall take also account of the results of other national or Union audit work carried out.

8.2 Assessment of any mitigating actions not linked to financial adjustments/corrections that were implemented, financial adjustments/corrections implemented and an assessment of the need for any additional corrective measures, both from the perspective of improvements of the management and control systems and of the impact on the Union budget.

9. TABLE FOR DECLARED COSTS RECOGNISED, PAYMENTS MADE AND AUDITS OF OPERATIONS

	A	B	C		D	E	F	G	H	I	J	K	L	M
Programme (reference/ title)	Payments made declared to the Commission for the 12 months period	Costs recognised declared to the Commission for the 12 months period [1]	Costs recognised in reference to the 12 months period audited for the random sample		Total number of units in the population	Number of sampling units for the random sample	Amount of irregular costs recognised in random sample	Total error rate[2]	Adjustments implemented as a result of the total error rate	Residual total error rate	Other costs recognised audited[3]	Amount of irregular costs recognised in other costs recognised audited	Total costs recognised declared to the Commission cumulatively	Total costs recognised audited cumulatively
			Amount[4]	% [5]				%		%				

[1] Column 'B' shall refer to the population from which the random sample was drawn i.e. total amount of costs recognised declared to the Commission for the 12 months period from 1 July (*year*) to 30 June (*year*) except where otherwise provided for in a sectoral agreement or a financing agreement. Where applicable, explanations shall be provided in Section 5.4.

[2] The total error rate is calculated before any financial adjustments are applied in relation to the audited sample or the population from which the random sample was drawn. Where the random sample covers more than one programme, the total error rate (calculated) presented in column 'G' concerns the whole population. Where stratification is used, further information by stratum shall be provided in Section 5.9

[3] Column 'J' shall refer to the costs recognised audited in the context of a complementary sample.

[4] Amount of costs recognised audited (in case sub-sampling is applied only the amount of costs recognised effectively audited, shall be included in this column).

[5] Percentage of cost recognised audited in relation to the population.

ANNEX E

Model annual audit opinion[1]

addressed to

- the European Commission
- the Government of *(IPA III beneficiary)*
- copy to the National IPA Coordinator (NIPAC) of *(IPA III beneficiary)* and
- copy to the National Authorising Officer (NAO) of *(IPA III beneficiary)*

INTRODUCTION

I, the undersigned, head of the Audit Authority of *(IPA III beneficiary)*, independent in the sense of Clause 9(1) of Annex A to the financial framework partnership agreement have audited:

(i) the completeness, accuracy and veracity of the annual financial reports or statements and the underlying annual accounts for the financial year (*year*),

(ii) the legality and regularity of the expenditure, declared by the NAO to the Commission, for the 12 months period from 1 July … (*year*) to 30 June … (*year*), except where otherwise provided for in a sectoral agreement or a financing agreement,

(iii) the functioning of the management and control systems, and verified the management declaration with reference to the financial year (*year*),

in relation to the programme …….. [reference/title of programme] ('the programme'), in order to issue an audit opinion in accordance with Article 63 (1) of the financial framework partnership agreement.

RESPONSIBILITIES OF THE NATIONAL AUTHORISING OFFICER

The NAO according to Clause 4(2) of Annex A to the financial framework partnership agreement, is responsible for setting up and functioning of the IPA III management and control system in the IPA III beneficiary.

In addition, the NAO, supported by the Accounting Body is responsible to confirm completeness, accuracy and veracity of the financial reports or statements and the underlying accounts submitted to the Commission as required in Article 61(5) of the financial framework partnership agreement.

Moreover, in accordance with Clause 4(1) of Annex A to the financial framework partnership agreement the NAO bears the overall responsibility for legality and regularity of expenditure.

RESPONSIBILITIES OF THE AUDIT AUTHORITY

[1] Pursuant to Article 63(1) of the financial framework partnership agreement

As established by Article 63(1) of the financial framework partnership agreement, my responsibility is to independently express an opinion on the completeness, accuracy and veracity of the annual financial reports or statements and the underlying annual accounts, whether the expenditure declared to the Commission are legal and regular, and whether the management and control systems put in place function properly.

My responsibility is also to include in the opinion a statement as to whether the audit work puts in doubt the assertions made in the management declaration.

The audits in respect of the programme were carried out in accordance with the audit strategy and complied with internationally accepted audit standards. Those standards require that the Audit Authority complies with ethical requirements, plans and performs the audit work in order to obtain reasonable assurance for the purpose of the audit opinion.

An audit involves performing procedures to obtain sufficient and appropriate evidence to support the opinion set out below. The procedures performed depend on the auditor's professional judgement, including assessing the risk of material non-compliance, whether due to fraud or error. The audit procedures performed are those that I believe to be appropriate in the circumstances.

I believe that the audit evidence gathered is sufficient and appropriate to provide the basis for my opinion, [in case there is any scope limitation:] except those which are mentioned in section 'Scope limitation'.

The summary of the main findings drawn from the audits in respect of the programme are reported in the attached annual audit activity report in accordance with Article 63(2) of the financial framework partnership agreement.

SCOPE LIMITATION

Either

There were no limitations on the audit scope.

Or

The audit scope was limited by the following factors:
(a) ...
(b) ...
(c) ....

[Indicate any limitation on the audit scope, for example any lack of supporting documentation, cases under legal proceedings, and estimate under section 'Qualified opinion', the amounts of expenditure and the Union contribution affected and the impact of the scope limitation on the audit opinion. Further explanations in this regard shall be provided in the annual audit activity report, as appropriate.]

OPINION

Either

(Unqualified opinion)

In my opinion, and based on the audit work performed:

- the annual financial reports or statements/annual accounts give a true and fair view,
- the expenditure declared to the Commission are legal and regular,
- the management and control systems put in place function properly.

The audit work carried out does not put in doubt the assertions made in the management declaration.

Or

(Qualified opinion)

In my opinion, and based on the audit work performed:

- the annual financial reports or statements/annual accounts give a true and fair view [where the qualification applies to the annual financial reports or statements/annual accounts, the following text is added] except for the following aspects:.....

The impact of the qualification is limited [or significant] and corresponds to ..... [amount in EUR and %] of the total expenditure included in the annual financial reports or statements/annual accounts. The Community contribution affected is thus ... [amount in EUR].

- the expenditure declared to the Commission are legal and regular [where the qualification applies to the legality and regularity, the following text is added] except for the following aspects:.....

The impact of the qualification is limited [or significant] and corresponds to ..... [amount in EUR and %] of the total expenditure declared. The Community contribution affected is thus ... [amount in EUR].

- the management and control systems put in place function properly [where the qualification applies to the management and control systems, the following text is added] except for the following aspects[2]:.....

The impact of the qualification is limited [or significant] and corresponds to ..... [amount in EUR and %] of the total expenditure declared. The Community contribution affected is thus ... [amount in EUR].

The audit work carried out does not put/puts [delete as appropriate] in doubt the assertions made in the management declaration.

[Where the audit work carried out puts in doubt the assertions made in the management declaration, the Audit Authority shall disclose in this paragraph the aspects leading to this conclusion.]

Or

(Adverse opinion)

In my opinion, and based on the audit work performed:

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[2] In case the management and control system are affected, the body or bodies and the aspect(s) of their systems that did not comply with requirements and/or did not function properly shall be identified in the opinion, except where this information is already clearly disclosed in the annual audit activity report and the opinion paragraph refers to the specific section(s) of this report where such information is disclosed.

the annual financial reports or statements/annual accounts give/do not give [delete as appropriate] a true and fair view; and/or

the expenditure declared to the Commission are/are not [delete as appropriate] legal and regular; and/or

- the management and control systems put in place function/do not function [delete as appropriate] properly.

This adverse opinion is based on the following aspects:

– in relation to material matters related to the annual financial reports or statements/annual accounts:.....

and/or [delete as appropriate]

– in relation to material matters related to the legality and regularity of the expenditure declared to the Commission:.....

and/or [delete as appropriate]

– in relation to material matters related to the functioning of the management and control systems[3]:.....

The audit work carried out puts in doubt the assertions made in the management declaration for the following aspects: .....

[The Audit Authority may also include emphasis of matter, not affecting its opinion, as established by internationally accepted auditing standards. A disclaimer of opinion can be envisaged in exceptional cases[4].]

Date:

Signature:

[3] In case the management and control system are affected, the body or bodies and the aspect(s) of their systems that did not comply with requirements and/or did not function properly shall be identified in the opinion, except where this information is already clearly disclosed in the annual audit activity report and the opinion paragraph refers to the specific section(s) of this report where such information is disclosed.

[4] These exceptional cases should be related to unforeseeable, external factors outside the remit of the Audit Authority.

ANNEX F

Model audit opinion on the final statement of expenditure[1]

addressed to

- the European Commission
- the Government of *(IPA III beneficiary)*
- copy to the National IPA Coordinator (NIPAC) of *(IPA III beneficiary)* and
- copy to the National Authorising Officer (NAO) of *(IPA III beneficiary)*

INTRODUCTION

I, the undersigned, head of the Audit Authority of (IPA III beneficiary), functionally independent in the sense of Clause 9(1) of Annex A to financial framework partnership agreement, have carried out an audit on the final statement of expenditure for the programme (reference/title), drawn-up under the responsibility of the NAO in accordance with Article 61 (4) of the financial framework partnership agreement, in order to issue an audit opinion in accordance with Article 63 (4) of the financial framework partnership agreement.

The audit was carried out in accordance with internationally accepted audit standards ..... [quote the standards followed].

I believe that the audit work carried out provides a reasonable basis for my opinion.

AUDIT SCOPE

The audit in respect of the programme was carried out in accordance with the audit strategy and reported in the attached final audit activity report under Article 63(5) of the financial framework partnership agreement.

Either

There were no limitations on the audit scope.

Or

The audit scope was limited by the following factors:

(a) ...

(b) ...

(c) ....

[Indicate any limitation on the audit scope, for example any lack of supporting documentation, cases under legal proceedings, and estimate under section 'Qualified opinion', the amounts of expenditure and the Union contribution affected and the impact of the scope limitation on the audit opinion. Further explanations in this regard shall be provided in the final audit activity report, as appropriate].

[1] Pursuant to Article 63(4) of the financial framework partnership agreement

OPINION

Either

(Unqualified opinion)

In my opinion, and based on the audit work performed:

- the expenditure included in the final statement of expenditure and in the final request for payment is legal and regular,
- the final request for payment is valid,
- the financial information presented is accurate.

Or

(Qualified opinion)

In my opinion, and based on the audit work performed:

- the expenditure included in the final statement of expenditure and in the final request for payment is legal and regular,
- the final request for payment is valid,
- the financial information presented is accurate

except for the following aspects[2]:.....

The impact of the qualification is limited [or significant] and corresponds to ..... [amount in EUR and %] of the total expenditure included in the final statement of expenditure and the final request for payment. The Community contribution affected is thus ... [amount in EUR].

Or

(Adverse opinion)

In my opinion, and based on the audit work performed:

- the expenditure included in the final statement of expenditure and in the final request for payment is not legal and regular, and/or
- the final request for payment is not valid, and/or
- the financial information presented is not accurate.

This adverse opinion is based on the following aspects[3]:.....

---

2 In case the management and control systems are affected, the body or bodies and the aspect(s) of their systems that did not comply with requirements and/or did not function properly shall be identified in the opinion, except where this information is already clearly disclosed in the final audit activity report and the opinion paragraph refers to the specific section(s) of this report where such information is disclosed.

3 In case the management and control systems are affected, the body or bodies and the aspect(s) of their systems that did not comply with requirements and/or did not function properly shall be identified in the opinion, except where this information is already clearly disclosed in the final audit activity report and the opinion paragraph refers to the specific section(s) of this report where such information is disclosed.

[The Audit Authority may also include emphasis of matter, not affecting its opinion, as established by internationally accepted auditing standards. A disclaimer of opinion can be foreseen in exceptional cases[4].]

Date:

Signature:

[4] These exceptional cases should be related to unforeseeable, external factors outside the remit of the Audit Authority

ANNEX G

Model audit strategy[1]

1. INTRODUCTION

1.1 Identification of the programme(s)[2] (reference/title) and period covered by the audit strategy.

1.2 Identification of the Audit Authority responsible for drawing up, monitoring and updating the audit strategy and of any other bodies that have contributed to this document.

1.3 Reference to the status of the Audit Authority and the body in which it is located.

1.4 Reference to the mission statement, audit charter or national legislation (where applicable) setting out the functions and responsibilities of the Audit Authority and other bodies carrying out audits under its responsibility.

1.5 Confirmation by the Audit Authority that the bodies carrying out audits have the requisite functional and organisational independence

2. RISK ASSESSMENT

2.1 Explanation of the risk assessment method followed including:

- an indication of the risk factors taken into account including those for the thematic areas indicated under Section 3.2.2,
- risk scoring used,
- the extent to which the results of previous audits of the bodies and systems have been taken into account.

2.2 Internal procedures for updating the risk assessment.

2.3 Identification of the controls at three levels:

- the first level of controls exercised by the IPA administrative structures,
- the second level of controls exercised on the one hand, through the internal control system and on the other hand, through the internal audit function,
- the high level monitoring, exercised through the assurance function by the NAO.

3. METHODOLOGY

3.1. Overview

3.1.1 Reference to the internationally accepted audit standards that the Audit Authority will apply for its audit work.

3.1.2 Information on how the Audit Authority will obtain its assurance with regard to programme(s) (description of main building blocks - types of audits and their scope).

3.1.3 Indication of the procedures in place for drawing up the annual audit activity report and audit opinion to be submitted to the Commission in accordance with Article 63(1) and (2) of the financial framework partnership agreement.

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[1] Pursuant to Clause 9 (4) of Annex A to the financial framework partnership agreement,

[2] Indicate the programmes covered by a common management and control system, in case a single audit strategy is prepared for several programmes.

3.1.4 Reference to audit manuals or procedures and brief description of the main steps of the audit work such as:

- planning of audits,
- performing audits and gathering evidence,
- evaluating evidence and forming conclusions, including the classification treatment of the errors detected,
- reporting (including contradictory procedure with the auditee),
- follow-up processes,
- quality control arrangements for the work of the Audit Authority.

3.2 Systems audits:

3.2.1 Identification of the bodies/structures to be audited, as well as the relevant key control elements in the context of systems audits.

Where applicable, reference to the audit body on which the Audit Authority relies to perform these audits.

3.2.2 Indication of any systems audits targeted at specific thematic areas or bodies, such as:

- quality of project selection and management verifications,
- quality and quantity of the administrative and on-the-spot management verifications in respect of applicable law such as public procurement rules, State aid rules, equal opportunities or environmental requirements,
- set-up and implementation of financial instruments at the level of the bodies implementing financial instruments (where applicable),
- functioning and security of electronic systems, and their connection with the Commission IT system(s);

  reliability of data relating to indicators, milestones and on the progress of the programme in achieving its objectives;
- reporting of withdrawals and recoveries;
- implementation of effective and proportionate anti-fraud measures underpinned by a fraud risk assessment.

3.3 Audits of operations:

3.3.1 Short description (with reference to internal document specifying) of the sampling methodology to be used.

3.3.2 Where applicable, a description of the approach of non-statistical sampling enabling the Audit Authority to draw up a valid audit opinion.

3.3.3 Description of other specific procedures in place for audits of operations, namely related to the classification and treatment of the errors detected, including suspected fraud (with reference to the audit manuals or procedures where this matter is set out).

3.3.4 Specific aspects related to the audits of financial instruments, if applicable.

3.4 Audits of the annual financial reports or statements/annual accounts:

Description of the audit approach for the audit of the annual financial reports or statements/annual accounts.

3.5 Verification of the management declaration

Description of the audit procedures involved in the verification of the assertions in the management declaration, for purposes of the audit opinion.

4. AUDIT WORK PLANNED

4.1. Description and justification of the audit priorities and objectives in relation to the next financial year and the two subsequent financial years, together with an explanation of the linkage of the risk assessment results to the audit work planned.

4.2. An indicative schedule of system audits, including audits targeted to specific thematic areas and follow up of previous audit findings, in relation to the next financial year and the two subsequent financial years, as follows:

Authorities/Bodies or specific thematic areas to be audited	Programme (reference/title)	Result of risk assessment	20xx Audit objective and scope	20xx Audit objective and scope	20xx Audit objective and scope

5. RESOURCES

5.1 Organisation chart of the Audit Authority.

5.2 Indication of planned resources to be allocated in relation to the next year and the two subsequent financial years (including information on any foreseen outsourcing and its scope, where appropriate).

5.3 Indication of the qualifications and experience required for the staff performing audits, and training requirements.

ANNEX H

Reporting on irregularities including fraud concerning the Instrument for Pre-accession assistance (IPA III)

Clause 1 Definitions

For the purposes of the reporting of irregularities including fraud, the definitions laid down in Article 51, on the protection of the financial interest of the Union, shall apply.

Clause 2 Reporting of irregularities

(1) The IPA III beneficiary shall report any suspected fraud and other irregularities including fraud, which have been the subject of a primary administrative or judicial finding without delay to the Commission and keep the latter informed of the progress of administrative and legal proceedings using, when required, the dedicated Irregularity Management System (IMS).

Irregularities for an amount lower than EUR 300 in EU contribution and irregularities which are detected and corrected by the IPA III beneficiary before inclusion in a payment application submitted to the Commission shall not be reported. This provision shall not apply to irregularities that give rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of fraud or other criminal offences.

In that report the IPA III beneficiary shall in all cases give details concerning the following:

(a) The name and the number of the programme/action concerned;

(b) the identity of the natural and legal persons involved or of any other participating entities and their role;

(c) the identification of the region or area where the operation has been carried out using the appropriate information such as NUTS[48] level;

(d) the provision(s) which have been infringed;

(e) the date and source of the first information leading to suspicion that an irregularity has been committed;

(f) the practices employed in committing the irregularity;

(g) where appropriate, whether the practice gives rise to a suspicion of fraud;

(h) the manner in which the irregularity was discovered;

(i) where appropriate, the IPA III beneficiary and Member States and/or third countries involved;

(j) the period during which, or the moment at which, the irregularity was committed;

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(k) the date on which the primary administrative or judicial finding on the irregularity was established;

(l) the total amount of eligible expenditure specified by Union contribution, IPA III beneficiary contribution and private contribution;

(m) the expenditure affected by the irregularity specified by Union contribution and IPA III beneficiary contribution;

(n) the amount which would have been unduly paid had the irregularity not been identified according to Union contribution and IPA III beneficiary contribution;

(o) the nature of the irregular expenditure;

(p) the suspension of payments, where applicable, and the possibility of recovery;

(q) where applicable, the reasons for any abandonment of recovery procedures;

(r) where applicable, the complete OLAF case number.

(2) The IPA III beneficiary, when reporting to the Commission, in addition shall inform the Member States or other IPA III beneficiaries concerned about any irregularities discovered or supposed to have occurred, where it is feared that they may have repercussions outside its territory.

(3) Where some of the information referred to in paragraph 1, and in particular information concerning the practices employed in committing the irregularity and the manner in which it was discovered, is not available or needs to be rectified, the IPA III beneficiary shall supply the missing or correct information to the Commission without delay.

(4) If IPA III beneficiary provisions provide for the confidentiality of investigations, communication of the information shall be subject to the authorisation of the competent tribunal or court.

Clause 3 Information on penalties

(5) The IPA III beneficiary shall provide the Commission without delay, with reference to any previous report made pursuant to Clause 2, with details concerning the initiation, conclusion or abandonment of any procedures for imposing administrative or criminal penalties related to the reported irregularities as well as of the outcome of such procedures.

With regard to irregularities for which penalties have been imposed, the IPA III beneficiary shall also indicate the following:

(a) whether the penalties are of an administrative or a criminal nature;

(b) whether the penalties result from a breach of Union or the IPA III beneficiary law;

(c) the provisions in which the penalties are laid down;

(d) whether fraud was established.

(6) At the written request of the Commission, the IPA III beneficiary shall provide additional information in relation to a specific irregularity or group of irregularities.

Clause 4 Electronic reporting via the Irregularity Management System (IMS)

The information referred to in Clauses 2 and 3 shall be sent in the English language, by electronic means, using the Irregularity Management System (IMS) established by the Commission for this purpose.

Clause 5 Use of information

The Commission may use any information of a general or operational nature communicated by IPA III beneficiaries under these provisions to perform risk analyses and may, on the basis of the information obtained, produce reports and develop systems serving to identify risks more effectively.

Clause 6 Use of the euro

The euro shall be used as currency for reporting of irregularities. The IPA III beneficiary shall convert the amounts of expenditure incurred in its own currency into euro. Those amounts shall be converted into euro using the monthly accounting exchange rate of the Commission in the month during which the expenditure was registered in the accounts of the Accounting Body, Intermediate Bodies for financial management and the IPARD Agency of the programmes concerned. The exchange rate shall be published electronically by the Commission each month.

Where the amounts relate to expenditure registered in the accounts of the IPA III beneficiary authority during a period of more than one month, the exchange rate in the month during which expenditure was last registered may be used. Where the expenditure has not been registered in the accounts of the IPA III beneficiary authority, the most recent accounting exchange rate published electronically by the Commission shall be used.

Clause 7 Protection of personal data

(1) The IPA III beneficiaries and the Commission shall take all necessary measures to prevent any unauthorised disclosure of, or access to, the information referred to in Clauses 2 and 3.

(2) The information referred to in Clauses 2 and 3may not be sent to persons other than those in the IPA III beneficiary or within the Union's institutions, agencies, offices and bodies whose duties require that they have access to it, unless the IPA III beneficiary supplying such information has expressly so agreed.

(3) Any personal data included in the information referred to in Clauses 2 and 3 shall be processed only for the purpose specified in that provisions.