Assessing the functioning of the Management and Control System for the purpose of Directorate H's mission to provide assurance

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Following up on the Paying Agencies' comments and discussion in the Learning Network (LN) meetings in July and December 2025, and the technical meetings with the Paying Agencies (PA) and Certification Bodies (CB), DG AGRI has compiled the following set of Questions and Answers that should help the Member States in ensuring a homogenous reporting of the functioning of the Management and Control System in the Management Declaration and a proper assessment and grading by the CB in its report taking into consideration the relevant *Guidelines*.

<u>Abbreviations</u>

SPR: Regulation (EU) 2021/2115

ElCos: Eligibility Conditions

GL-CB: Guideline No 2 – CAP Strategic Plan Expenditure Guideline on The Annual Certification Audit EAGF/EAFRD Expenditure.

GL-FC: Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2024)5991 of 3.10.2024.

GL-MCS: Guideline for Assessing the functioning of the Management and Control System for the purpose of Directorate H's mission to provide assurance Ares(2025)7156917 dated 3.9.2025

HZR: Regulation (EU) 2021/2116

MCS: Management and Control System

MD: Management Declaration

MS: Member State

PA: Paying Agency

RM= Residual Misstatement

TM= Total Misstatement

	Question	Answer
1.	Who, what, when in the Management Declaration	The PA is in charge of the MCS of the CAP at national / regional level. The Director of the PA needs to give assurance on the functioning of the MCS in the MD. The declaration could be based on the residual risk /misstatement computed using the annual results of the on-the-spot checks or supervision controls. The GL-CB was prepared to gain assurance on the assessment of governance system and residual risk through the CB's audit cf. point 2 of Guideline 4 (on the MD). The GL-CB as well as other internationally recognised standards on internal control, can be used for inspiration by the PAs to calculate/establish the PA's level of RM. The corrective actions and their impact can be considered by the CB when it calculates the RM, considering also its own audit and when it provides its opinion on the assessment of the governance system.
2.	At what level is the RM to be calculated and is there a grading to be done every year	The assessment of the MCS is in principle based on the RM and is to be done at the level of the unit amount in the intervention – cf. Article 37 HZR. The grading by the CB is to be established based on the TM (RM + CB work). In justified cases, grading can be based on historical results (e.g. same system used for years and no change in behaviour, procedures) or other means if there is no data. Moreover, the GL-MCS caters for 'small interventions' where, if properly justified, there is no annual assessment.
3.	What is a sufficiently large representative sample	A 'representative' sample is not only to be (statistically) representative when it comes to number of items in the samples so that a valid extrapolation can be done; it is meant also that it

		needs to cover in a representative manner all scenarios or cases in the respective population. E.g. for BISS, all types of land should be represented in the sample, unless the PA has different samples for arable land, pasture, permanent crops.
		As to the number of items, if it means 30 items (as was the case in earlier GLs) for the whole of IACS or a type of intervention, there is the risk that the sample is 'small'/limited (i.e. not significant/valid), and not covering all possible cases.
		There cannot be more detailed guidance as it is not possible to cover all possibilities. What is important is that once the sample size is chosen, the extrapolation is based on the sample. If there has been the choice of a sample, which with 1 error leads to >2%, the approach whereby the PA/CB does additional work only on 'similar' cases will not be accepted as the sample is representative of the whole population.
4.	Can small populations of some interventions be combined into one sample. While understanding that all Elcos would need to be covered it could mean that some Elcos would have a very small representation.	This depends on if the ElCos are similar. Having a grouping of populations would be in a first place defined by the applicable MCS, which needs to be the same. Furthermore, this would be acceptable, under the conditions specified provided that the justification lies in what would be considered as a small population e.g. amounts below 100K EUR; 0.5% of total expenditure. In any event, when this method is chosen, it is then also needed to act consequently when assessing the RM for the combined interventions and the corresponding grading.
5.	Is there a need for a separate sample for land at disposal or other checks if they are covered via a 100% admin check.	No. In this situation, provided that the 100% checked operated properly, which needs to be confirmed by testing and CB validation, there is no RM. The same applies for other topics covered via a 100% administrative check. Where the administrative check was flawed, this needs to be quantified.
6.	If the IACS QA is used, how to go about combining with non-monitorable elements.	It is for the MS to ensure that all eligibility conditions are covered in the RM.

		Where feasible and possible, the results of the non-monitorable elements as covered in on-the-spot checks or in situ / ad hoc visits can be added to the results of the monitored ones.
		This can be done at parcel level (where so applicable) or at macro-level.
		In all cases it must be ensured that the samples are sound, sufficient in size and coverage of the eligibility conditions (cf. Q3).
7.	How to go from area difference to EUR in case of using QA	For the interventions with a linear 1-to-1 relation between output and unit amount i.e. when the outputs are all paid at the same amount, the % in area is the same as in EUR.
		For the interventions where there is no linear 1-to-1 relation between output and unit amount (e.g. 1 ha BISS is paid at different unit amounts depending on a region or type of land), the calculation needs to be done by:
		– Converting the % in area for the individual sample into monetary terms. This amount is then to be extrapolated to all items represented by the item selected.
		– Alternatively, in case of different unit amounts in one intervention being paid depending on the applicable eligibility condition, for the sake of proportional effort, the % in area for the individual sample is converted into monetary terms at the highest unit payment value for that intervention.
		– For the farm-based interventions it can be done only by assessing the impact of the area difference (which includes the non-respect of commitments) at the level of each individual farm in the sample in EUR and then extrapolating to the intervention.
8.	Why is the IACS-QA sample that is corrected before payment to be extrapolated	The result of an individual IACS-QA sample represents the level of misstatement that was not detected by the MCS. In so far that not all items represented by the IACS-QA sample have been revisited, the payment for the non-visited items remains uncorrected and must be counted in the RM.
		Where there would be remedial actions being taken leading to recoveries and crediting to the

		Fund, these will be deducted from the financial correction – cf. point 2.4.4 in GL-FC.
9.	How to add up monitorable AMS-QA results with non-monitorable elements	This can be applied in different forms. (1) For an item in the AMS-QA sample, the area that should not have been paid corresponding to the non-monitorable element would have to be added to the area that should not have been paid for the monitorable element. This total area would then have to be converted into a EUR amount. Attention to the proper quantification for farm-based interventions (cf. Q7). (2) The total area that should not have been paid for the monitorable elements (total AMS-QA result) is added to the result of e.g. on-the-spot check result covering the non-monitorable elements. Note that in the above points the AMS-QA result for the purpose of quantifying the RM is the difference between the area paid and the one that should have been paid. When using the method (2), the MS should ensure that there is a clear link between both figures. For instance, when combining regional PAs on-the-spot check results with national IACS-QA results, for this method to give a proper result, it is necessary to cater for the fact that MCS may not be the same. The same applies to the eligibility conditions for a certain intervention which can be different according to the location within the MS or a region in the MS.
10.	Why is the use of the error rate approach used in the past not acceptable	The error rate in the CAP 2014-2022 represented the difference between what was claimed and what was paid at the level of individual farmers inside the random sample of on-the-spot checks, based on number of pre-set eligibility and compliance rules (cf. K&A controls) that were to be complied with. It was measuring the effective functioning of the MCS. With the flexibility in the SPR and the need to set-up an efficient MCS, it is needed to quantify the functioning of the MCS at macro level and this with the recognition of the strengths of the system.

		Hence the RM reflects the amount overpaid and for which there is no corresponding output, because there is no 100% check of all beneficiaries and because all systems are perfectible (cf. doc PSD and GL-FC).
11.	The document on assessing the MCS from Sept 2025 does not ensure comparison across EU.	The document is drafted in light of Article 59 HZR. As from the moment a MS is allowed to design its own MCS based on its own set of eligibility rules, the comparison of quality of the systems, where so needed, is to be found in the uniform way of grading the functioning of the MCS. This is achieved via the application of the GL-CB.
12.	With the AMS QA having changed significantly from 2023 to 2025 and to change again in 2026. It is now accepted that the results of this check are not suitable for calculation of residual risk in isolation. Is it acceptable to use the results generated by other means (OTSC etc) in 2025 retrospectively for 2024?	In principle the use of data that are not from the claim year concerned are not / cannot to be used for the management declaration and the corresponding opinion of the CB for assessing the functioning of the MCS. However, when presenting the document in September 2025, DG AGRI indicated that this document could be used retro-actively, when these results would be useable e.g. same MCS / no change in eligibility conditions etc. It is of a different matter when it comes to the calculation of the risk for the Fund when there is an ongoing audit enquiry. Here, the calculation of the risk for the Fund needs at best to represent the risk for the Fund (cf. GL-FC). Hence the use of results generated by other means (OTSC etc) in 2025 retrospectively for 2024 needs to be discussed in the corresponding contradictory procedure.
13.	For interventions covered by AMS where Monitorable Elcos have an area deviation result <2% and the remaining Non-Monitored Elcos are administratively checked, is it necessary to go any further with calculations for residual risk for these interventions?	This depends on the structure of the intervention. See Answer to Question 7.
14.	Where the PA is carrying out a quality check on the IACS-QA result and the CB is validating the QA results to	Yes, the results of the PA quality checks based on a sample should be extrapolated to arrive to the RM. The CB results (the deviation found between the CB work and the PA quality check) based on

	assess the MCS functioning, should the results of the PA quality check and the CB work be extrapolated to arrive to 1) the RM and 2) the TM?	a sample should be extrapolated to arrive to the TM.
15.	Conditionality – what do the Commission require or expect in respect of Conditionality in the Management Declaration?	The PA should flag issues in the design/set-up of Conditionality (CAT1 PSD) in the MD. By contrast, based on the update of CB-GL and the PSD document, there is no longer CAT2 PSD for Conditionality, therefore nothing is expected in this regard.
16.	How to calculate the residual risk when the PA declared partial payments (based on delivery notes) and final payments based on full check of legality and regularity would be done only next year.	As a possibility the CB could take into account the error rate found by the PA in the final payment calculations in previous years, as the error rate found by the PA based on checks on the delivery notes will not show the residual risk correctly. Other solutions to estimate the residual risk could also be found depending on the actual controls performed by the PA and considering the audit experience of the CB.
17.	In the Excel table in Annex VI of the Guideline 2: For the intervention approach, can you confirm that the occurrence rate of deviations can be calculated on the basis of the number of deficient control points in relation to the total number of control points analysed, rather than on the number of anomalous cases in relation to the total number of cases analysed?	If the sample is based on controls, the occurrence rate of deviation should be calculated based on the number of deficient controls in relation to the total number of controls analysed.
18.	The MS envisage to exclude from the calculation of the residual misstatement the monitoring (ex-post) requirements (for EAFRD Non-IACS), as the monitoring will be done in a year different than the payment (after the final payment).	In the particular case, the error is not relevant to the payments in the financial year in which it is discovered. Therefore, this type of errors should not be extrapolated. However, the error demonstrates a noncompliance with the requirements of the CSP, therefore, the value of the deviation is to be considered in the quantification of the TM as a known error (not related to the same financial year). Such an error, having been identified by the CB (and not by the PA), has no impact on the PA's residual misstatement.

19.	For EAFRD Non-IACS there is a big gap between the period covered by the PA OTSC (claim year) and the period covered by the CB (financial year). For EAGF Non-IACS similar mismatch could exist between actual financial year audited and the control period followed by the PA (e.g. fruits and vegetable 3-year rotation of 100 % OTSC, wine sector – some controls relate to next year payments etc.) Therefore, it will be difficult for the CB to confirm the residual risk for the financial year.	The MD of the PA has to cover the functioning of the MCS that was in place in the specific financial year. The period is the same for the PA and the CB i.e. the financial year in question as regards the confirmation of the residual risk. The PA has to design a procedure ensuring that the calculation of the residual risk is representative for the financial year e.g. by recalculation of the error based on the data for the financial year, or calculation of an average error based on the results for several (also considering previous) claim years or financial years etc. as to arrive to a proper assessment of the MCS. The approach should be verified by the CB(s).
20.	For IACS / Non-IACS interventions should both the risk and random error rates be factored into the residual risk calculation?	As the RM is best represented by the random sample it is that figure that is best used to assess the proper functioning of the PA's MCS. It should be recalled that when the PA's assessment is sample-based, the sample must be sufficiently large and representative to enable the calculation of the total misstatement - see also Q3. Including the risk sample results can be useful when the random sample size is considered too limited. In the absence of random-based samples for some interventions, the PA may consider using the results of the risk-based samples. In absence of better figures, the combining of the results should be done using a conservative assurance approach. To calculate the total RM and having regard to the above, one needs only to add up EUR overpaid to the amount calculated from the random sample. If there is only a risk-based sample for certain interventions, the risk assessment, sampling, results and corrective actions of the PA should be verified to conclude on the residual misstatement.