

ANNEX 1

Audit checklist

for auditing financial instruments in the period 2014-2020

Date of the audit	
Auditor(s)	
Checklist prepared by/on	<i>Please insert name and DG of auditor and date</i>
Checklist reviewed by/on	<i>Please insert name and DG of team leader and date</i>

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Short description of the Financial Instrument

Financial instrument identification (title, number, etc.)	
Operational Programme(s), CCI(s) and priority axis	
Thematic objectives	
Type of financial products delivered through financial instrument (loan, guarantee, (quasi-) equity etc.)	
Fund of Funds (if applicable)	
Financial intermediaries	
Date of the funding agreement	
Exit date of ESIF	
Programme contribution: ESIF and national co-financing (public and/or private)	
Additional private investors' participation to the instrument (amount)	
Financial tranches (amounts and dates when certified to the Commission)	

Audit question	Regulatory reference Guidance note reference	Yes/ No/ NA	Observation	Conclusion (estimate of financial impact if applicable)
Monitoring, reporting and management verifications <i>(section related to a system audit)</i>				
1. Is there a proper system for the MA to monitor the work of the FoF (if applicable) and the work of the financial intermediaries?	Art. 125 CPR		<i>Please review the system the MA has established to regularly monitor the work of the FoF and financial intermediaries, in particular with regard to:</i> <ul style="list-style-type: none"> - <i>Verification of eligibility of the final recipients</i> - <i>Verification of eligibility of the investments</i> - <i>Re-use of interest and returns</i> 	
2. Is there a regular reporting on the implementation of the FI from the financial intermediaries to the FoF (if applicable) and to the MA?				
3. Is this reporting appropriate and reliable to allow the MA to proceed with the interim payment claim and to perform its obligation of reporting to the EC in line with Article 46 CPR ?			<i>Please verify if the reporting allows the MA to perform its monitoring functions as listed under question 1 above.</i>	
4. Did the MA perform adequate management verifications in respect to the eligibility of investments disbursed to final recipients before submitting the payment claim for the second and following tranches? Do you agree with the results?	Art. 41(1)(c) and 125 CPR		<i>Please consider both desk review and on the spot verifications</i> <i>The MA has the responsibility to monitor the FoF / financial intermediaries. Even if these bodies perform management verifications, the MA has the final responsibility and has to perform controls on the work of these bodies. This can be done on a sample basis.</i>	

5. In case of weaknesses in the implementation performed by the FoF (if applicable) and the financial intermediaries, did the MA take appropriate measures to mitigate the impact on the EU Funds?				
Design / Set-up				
I. Ex-ante assessment <i>(section not applicable in case of instruments under Article 39 CPR)</i>				
6. Does the ex-ante assessment include all legal requirements?	Art. 37(2) CPR Guidance for Member States on Article 37(2) CPR– Ex-ante assessment		<i>The ex-ante analysis should include:</i> <ul style="list-style-type: none"> • <i>analysis of market failures, suboptimal investment situations and investment needs for the concerned policy areas and thematic objectives</i> • <i>added value and consistency with other forms of public intervention addressing the same market</i> • <i>State aid implications, proportionality of envisaged intervention and measures to minimise market distortion</i> • <i>Expected leverage effect (estimated additional public and private resources to be raised)</i> • <i>Need for preferential remuneration to attract investors and its extent</i> • <i>Lessons learnt from similar instruments in the past</i> • <i>Proposed investment strategy including the implementation options (FoF, financial intermediaries, etc.)</i> • <i>Financial products to be offered, final</i> 	

			<p><i>recipients targeted and envisaged combination with grant support</i></p> <ul style="list-style-type: none"> • <i>Specification of expected results, including indicators</i> • <i>Provisions for review and update of the ex-ante assessment during the implementation, should it no longer accurately represent the market conditions</i> 	
7. Was the ex-ante assessment performed before the MA decided to make programme contributions to the financial instrument?	Art. 37(3) CPR			
8. Was the ex-ante assessment published three months after its finalisation?	Art. 37(3) CPR		<i>Please note the link</i>	
9. Was the ex-ante assessment presented to the Monitoring Committee?	Art. 37(3) CPR		<i>Please note the date</i>	
10. In case of change in market conditions, was the ex-ante assessment reviewed?	Art. 37(2) (g) CPR		<p><i>If yes, were the provisions for this review set in the initial ex-ante assessment respected?</i></p> <p><i>If no, what are the reasons? Are they acceptable?</i></p>	
11. Is the programme contribution to the FI in line with the estimated level and scope of the public investment needs as indicated in the ex-ante assessment? If not, is there any justification done by the MA?	Art. 37(2) CPR		<i>Assess the justification of the MA in case the programme contribution to the FIs is higher than the needs indicated in the ex-ante assessment</i>	
12. Are the financial instruments set-up in line with the relevant conclusions from the ex-ante assessment? If not, is there any justification done by the MA?	Art. 37(2) CPR		<p><i>This question refers to the selection of the set-up options, i.e. the types of financial products, the state aid regime, and selection of the FoF and/or financial intermediaries</i></p> <p><i>Assess the justification of the MA in case the set-up</i></p>	

			<i>established differs from the one recommended in the ex-ante assessment.</i>	
13. In case of a guarantee, does the ex-ante assessment provide for an appropriate multiplier ratio between the guarantees provided and the related loans? Is the actual multiplier ratio as agreed in the guarantee contracts in line with the one presented in the ex-ante assessment? If not, is this justified by the market (e.g. selection process).	Article 8 a) and b) of Regulation 480/2014		<i>Selection process can be a public procurement, but also any other call on the market for expression of interest, etc.</i>	
14. If differentiated treatment is used in the FIs, are their need and level in line with the ex-ante assessment? If not, is this justified by the market (e.g. selection process).	Art 37(2)(c) Art 43a(2) CPR		<i>This assessment refers to the treatment of other investors (public and/or private)</i>	
II. Implementation options				
15. Is the instrument: <ul style="list-style-type: none"> - set up at Union level, managed directly or indirectly by the Commission - set-up at national, regional, transnational or cross-border level, managed by or under the responsibility of the managing authority - combining programme contribution with EIB financial products under the EFSI in accordance with Article 39a CPR 	Art. 38(1)(a-c) CPR			

<p>16. In case of FIs set-up under Art. 38(1)(b), is the instrument:</p> <ul style="list-style-type: none"> - Complying with the standard terms and conditions as laid down in the “off-the-shelf” instruments? - Continuing an already existing instrument or a new instrument? 	<p>Art. 38 (3) CPR</p>	<p><i>In case of off-the-shelf instruments, the Commission provides standard rule for the following types of off-the-shelf instruments:</i></p> <ul style="list-style-type: none"> • <i>Portfolio risk sharing loan for SMEs</i> • <i>Capped portfolio guarantee</i> • <i>Renovation loan</i> • <i>Co-investment facility</i> • <i>Urban Development Fund</i> <p><i>In case of off the shelf instruments combined with grants, please verify if the grant does not exceed 5% of the ESIF contribution to the financial instrument.</i></p> <p><i>It is possible to indicate that an “off-the-shelf” instrument was used only if all conditions laid down in the Annexes to the CIR 964/2014 were fulfilled. Please verify the details if applicable.</i></p> <p><i>In case of a set-up of the FI in full respect of the CIR 964/2014, please note that these instruments are State aid compliant.</i></p>	
<p>17. When supporting financial instruments referred to in point (b) of paragraph 1 of Art. 38 CPR, the managing authority :</p> <ul style="list-style-type: none"> - invested in <i>the capital of a legal entity (Art. 38(4)(a))</i> - entrusted implementation tasks, through the direct award of a contract, to EIB, <i>international financial institutions, a publicly-owned bank or institution (Art. 38(4)(b))</i> 	<p>Art. 38(4)(a-d) CPR</p> <p>Guidance for Member States on Article 38(4) CPR - Implementation options for financial instruments by or under the responsibility of</p>	<p><i>Please indicate the selected option</i></p>	

<ul style="list-style-type: none"> - entrusted implementation tasks to another body governed by public or private law (<i>Art. 38(4)(c)</i>) - undertake implementation tasks directly, in the case of financial instruments consisting solely of loans or guarantees (<i>Art. 38(4)(d)</i>) 	<p>the managing authority</p>			
<p>18. Are the conditions of Article 7 CDR complied with in case of implementation under paragraphs a), b) (ii) and (iii) of Article 38(4) CPR?</p>	<p>Art. 7 CDR EC Regulatory Guidance (Guidance for Member States on the selection of bodies implementing financial instruments)</p>		<p><i>Conditions for the selection of the fund manager (FoF and/or financial intermediaries):</i></p> <ul style="list-style-type: none"> • <i>Entitlement to carry out the tasks according to Union or national law</i> • <i>Adequate economic and financial viability</i> • <i>Adequate capacity to implement the instrument, including organisational structure and governance framework</i> • <i>Experience</i> • <i>Internal control system</i> • <i>Accounting system</i> • <i>Agreement to be audited</i> • <i>Robustness and credibility of the methodology for selection of financial intermediaries or final recipients</i> • <i>Appropriate measures to align interests and avoid conflict of interest in case of own participation in the instrument</i> • <i>Level of management costs and fees</i> • <i>Terms and conditions for the support to final recipients</i> • <i>Ability to raise additional resources</i> • <i>Ability to demonstrate additional activity in comparison to present activity</i> • <i>In case of allocation of own financial resources, measures mitigating conflict of</i> 	

			<i>interest</i>	
<p>19. Which procedure was followed for the selection of:</p> <ul style="list-style-type: none"> – Fund of Funds, if applicable ? – Financial intermediaries? <p>Is the procedure applied in line with the applicable law (including public procurement)?</p>	<p>Art. 38(4)(a), (b), (c) CPR Guidance for Member States on Article 38(4) CPR - Implementation options for financial instruments by or under the responsibility of the managing authority</p>		<p><i>Please indicate if there was a direct award or a public procurement procedure.</i></p> <p><i>In case of a public procurement procedure, please fill in the public procurement checklist per body.</i></p> <p><i>In case of Art. 38(4) (d) the selection procedure refers to the intermediate body.</i></p>	
<p>20. In case of Art. 38(4)(a):</p> <ul style="list-style-type: none"> - <i>the legal entity</i> is an existing one or a newly created one? - <i>the legal entity is a public or private body with limited liabilities?</i> - The invested ESI Funds programme resources become part of the capital of the legal entity with all the associated rights and obligations? - The legal entity is dedicated to implement FIs consistent with the objectives of the ESI Funds? 	<p>Art. 38(4) (a) CPR Guidance for Member States on Article 38(4) CPR - Implementation options for financial instruments by or under the responsibility of the managing authority</p>			
<p>21. In case of Art. 38(4)(a), is the purpose of the investment eligible?</p>	<p>Art. 38(4) (a) CPR</p>		<p><i>Please verify if the purpose is to implement new investments and not to recapitalise existing legal</i></p>	

			<i>entities (i.e. the capital should not be used as capital reserves to cover already existing activities of the legal entity)</i>	
22. In case of SME Initiative, is the purpose of the investment eligible?			<i>Investments are restricted to SME only. Re-financing is not allowed (only new debt)</i>	
23. In case of in-house award, is the award legal and regular?	Directive 2004/18/EC Directive 2014/24/EU		<i>Depending on the applicable Directive, please verify if:</i> <i>The conditions according to Directive 2004/18/EC are fulfilled cumulatively</i> <ul style="list-style-type: none"> • 100% public ownership • Control of the contracting authority over the entity similar to the control over its own departments • Entity carries out the essential part of its activities for the contracting authority OR <i>The conditions according to Directive 2014/24/EU are fulfilled cumulatively</i> <ul style="list-style-type: none"> • If there is a private participation in the entity, it should not be in a controlling or blocking position • Control of the contracting authority over the entity similar to the control over its own departments • Entity carries out more than 80% of its activities for the contracting authority 	
24. In case of inter-administrative cooperation, is the award legal and regular?	Directive 2004/18/EC Directive 2014/24/EU		<i>Depending on the applicable Directive, please verify if:</i> <i>The conditions for an award to be outside of the scope of Directive 2004/18/EC are fulfilled cumulatively</i> <ul style="list-style-type: none"> • Cooperation concerns only public authorities 	

			<ul style="list-style-type: none"> • <i>Equal treatment is ensured, i.e. no private provider receives an advantage</i> • <i>Pursuit of objective in the public interest which the authorities have to perform</i> <p><i>OR</i></p> <p><i>The conditions for an award to be outside of the scope of Directive 2014/24/EU are fulfilled cumulatively</i></p> <ul style="list-style-type: none"> • <i>The aim is a cooperation between authorities in order to ensure the provision of public services they have to perform</i> • <i>The cooperation is governed solely by considerations related to public interest (in particular with regard to remuneration)</i> • <i>The administration should perform less than 20% of the activities concerned by the cooperation on the open market</i> 	
25. In case of direct award of the FI management contract to publicly-owned banks or institutions, did the MA justify its decision based on the fulfilment of the conditions of Article 38(4)(b)(iii)? Are those criteria complied with?	Art. 38(4)(b)(iii) CPR Guidance for Member States on the selection of bodies implementing financial instruments		<p><i>Those conditions have to be analysed ex-ante and not ex-post. The analysis should be done based on the terms under which the bank is established (under the conditions of its statutes)</i></p> <p><i>These conditions are:</i></p> <ul style="list-style-type: none"> - <i>There is no direct private capital participation with the exception of non-controlling and non-blocking forms of private capital participation</i> - <i>Operates under a public policy mandate</i> - <i>Carries out, as all or part of its activities, economic development activities contributing to the objectives of the ESI Funds</i> - <i>Operates without a main focus on maximising profits but on sustainable activities</i> - <i>Ensures that the direct award does not provide</i> 	

			<p><i>any direct or indirect benefit for commercial activities</i></p> <ul style="list-style-type: none"> - <i>Is subject to the supervision of an independent authority</i> 	
<p>26. In case of financial instruments implemented directly by the MA/IB under Article 38(4)(d):</p> <ul style="list-style-type: none"> - is the financial instrument providing only loans and guarantees? - is the selection of final recipients transparent and justified on objective grounds? - does the MA/IB have the capacity to implement a FI operation (e.g. administrative capacity, including the technical skills, organisational structure and governance framework of the MA/IB)? - are the costs related to the management of the FIs covered by technical assistance or resources paid back attributable to ESI Funds? 	<p>38(4)(d) CPR</p> <p>6(1)(a) CDR</p> <p>6(1) CDR</p> <p>42(1)(d)</p>		<p><i>Management costs and fees in accordance with Article 42(1)(d) CPR are not eligible expenditure under the FI operation directly managed by the MA/IB. They can be charged only by the bodies implementing financial instruments covered by the other implementation options.</i></p>	
<p>27. Should there be no obligation to use a public procurement procedure for the selection of the fund manager, is the selection based on open, transparent, proportionate and non-discriminatory procedures, avoiding conflict of interest?</p>	<p>Art. 38(5) CPR</p>		<p><i>This is the case for the selection of the financial intermediaries when the FoFs is selected via a public procurement procedure</i></p>	

III. Funding Agreement - general governance arrangements

<p>28. In case the financial instrument is managed by a legal entity, the EIB, international or national financial institution or a body governed by public or private law, does the funding agreement include the elements mentioned in Annex IV (1) CPR?</p>	<p>Art. 38(4) (a), (b) and (c) CPR, Art. 38(1)(c) Annex IV CPR</p>	<p><i>The following elements have to be part of the funding agreement:</i></p> <ul style="list-style-type: none"> • <i>Investment strategy, including implementation arrangements, financial products, final recipients, and envisaged combination with grants (if applicable)</i> • <i>Business plan including the expected leverage effect</i> • <i>Target results</i> • <i>Provisions of monitoring of implementation and deal flows (including in case of bankruptcies of final recipients, late payments, etc.)</i> • <i>Documentation, audit trail and provisions for access</i> • <i>Management of phased contributions, including fiduciary/separate accounting</i> • <i>Management of interest and other gains</i> • <i>Calculation and payment of management costs and fees</i> • <i>Reutilisation of resources returned during the eligibility period</i> • <i>Use of resources after the end of the eligibility period</i> • <i>Conditions for total or partial withdrawal of programme contributions</i> • <i>Provisions for independence and professional standards for the bodies implementing the financial instrument</i> <p><i>In addition, where financial instruments are organised</i></p>	
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			<i>through a fund of funds, the funding agreement between the managing authority and the body that implements the fund of funds must also provide for the appraisal and selection of bodies implementing the financial instruments, including calls for expression of interest or public procurement procedures.</i>	
29. In case the financial instrument is managed directly by the MA, do the strategy documents include the elements mentioned in Annex IV (2) CPR?	Art. 38(4) (d) CPR Annex IV CPR		<i>The following elements have to be part of the strategy documents:</i> <ul style="list-style-type: none"> • <i>Investment strategy and conditions for the envisaged debt products, target recipients and actions to be supported</i> • <i>Business plan including the expected leverage effect</i> • <i>Use and re-use of resources</i> • <i>Monitoring and reporting of implementation</i> 	
30. Are the eligibility rules defined in the funding agreement in line with the eligibility rules of the programme(s) axis/axes?	Operational programme(s)			
31. Are there measures ensuring that the resources paid back (including capital repayments and gains) are to be used for a similar purpose either in a financial instrument or in other forms of support after the end of the eligibility period during a period of at least 8 years?	Art. 45 CPR Annex IV (1)(j) CPR		<i>Please verify, if appropriate</i>	
32. Are there procedures foreseen in the Funding Agreement on the winding up of the financial instrument?	Annex IV (1)(m) CPR		<i>Please verify, if appropriate</i>	
33. Does the funding agreement/strategy document include provisions concerning	Art. 38(4)2 nd subparagraph CPR			

prevention of money laundering, fight against terrorism, tax avoidance and tax fraud? If not, how the compliance with this Article is ensured by the MA?	Art 155 (2) and (3) of the Financial Regulation			
34. Is the Fund of Funds and/or the financial intermediary established in a territory whose jurisdiction does not co-operate with the Union in relation to the application with internationally agreed tax standards?	Art. 38(4) CPR			
IV. Compliance with State aid rules <i>(please fill for each of the following levels: Fund of Funds, financial intermediaries, private co-investors, final recipients)</i>				
35. Does the support come from State resources and is it imputable to the State?	Art. 107(1) TFEU Art 37(12) CPR Staff Working Document (2017)156 Guidance on State aid in European Structural and Investment (ESI) Funds Financial instruments in the 2014-2020 programming period		<i>National public resources and ESI Funds under shared management (i.e. Member States have a discretion about their use) are considered State resources.</i> <i>EIB Group investing own resources at own risk is considered private financing (no State resource). EFSI is no subject to State aid rules as well.</i> <i>Should Member States provide guarantee for EIB Group investments, i.e. no full own risk, such investments are considered State resource.</i>	
36. Is the recipient of aid an undertaking?	Art. 107(1) TFEU		<i>Undertaking is an entity engaged in economic activity, i.e. offering goods and services on the market. The definition is independent from the public/private nature of the entity, its status as non-profit organisation. It depends only on the specific activity.</i>	

37. Does the support represent an advantage?	Art. 107(1) TFEU Staff Working Document (2017)156 Guidance on State aid in European Structural and Investment (ESI) Funds Financial instruments in the 2014-2020 programming period		<ul style="list-style-type: none"> • <i>For co-investors there is no advantage, if the investments are done under the pari passu principle (i.e. the same terms and conditions apply to the public and private investors, when both intervene simultaneously, and the intervention of the private investor is min. 30%)</i> • <i>For bodies implementing financial instruments (Fund of Funds, financial intermediaries) there is no advantage if the management costs and fees do not exceed market rates and the advantage is passed to final recipients. Market rates can be established based on a public procurement selection of those bodies. Other methods can be used in case no public procurement selection was applied.</i> • <i>For the final recipients, there should be as a rule an advantage as ESI Funds should respond to market failures. Therefore, the final recipient should not be able to receive the same product under the same conditions on the free market. Please refer to the ex-ante analysis.</i> 	
38. Does the support distort competition and affect trade between Member States?	Art. 107(1) TFEU Commission Regulation (EC) No 1407/2013		<p><i>De minimis aid (200 000 Euro over a 3-year period) does not distort competition or affects trade between Member States.</i></p> <p><i>In case of a group of companies at the level of the final recipient, please verify the de minimis threshold for the undertaking”, i.e. the whole group of companies.</i></p>	

39. Conclusion: Is State aid applicable?	Art. 107(1) TFEU EC Regulatory Guidance (Guidance on State aid in European Structural and Investment (ESI) Funds financial instruments in the 2014-2020 programming period) Staff Working Document (2017)156 Guidance on State aid in European Structural and Investment (ESI) Funds Financial instruments in the 2014-2020 programming period		<p><i>Please verify that at each of the above mentioned three levels the four conditions dealt with in questions 35 to 38 are cumulatively applied with.</i></p> <p><i>If the conclusion is yes, please reply to questions 40 and 41.</i></p>	
40. Did the MA use one of the exemptions foreseen in GBER?	Commission Regulation (EC) No 651/2014		<p><i>Please indicate which of the following exemptions applies (non-exhaustive list):</i></p> <ul style="list-style-type: none"> • <i>Art. 14 (regional investment aid)</i> • <i>Art. 16 (regional urban development aid)</i> • <i>Art. 21 (risk finance aid), i.e. equity</i> • <i>Art. 22 (aid for start-ups)</i> 	

			<ul style="list-style-type: none"> • Art. 39 (investment aid for energy efficiency projects in buildings) • Art. 52 (aid for broadband infrastructure) <p><i>If applicable, please fill in the respective section in the State aid checklist.</i></p>	
41. If State aid is applicable and not subject to GBER exemptions, is the presence of State aid notified to the Commission?			<p><i>Please verify if the financial instrument complies with the conditions of the Commission decision for compliance of the aid with the internal market.</i></p> <p><i>If applicable, please fill in the respective section in the State aid checklist.</i></p>	
Implementation				
V. Eligibility of expenditure				
42. Was the eligible expenditure incurred after the financial contribution from the programme to the financial instrument?	Art. 2(9)			
43. Is the expenditure eligible?	Articles 42 CPR		<p><i>Re-financing is not allowed (only new debt)</i></p> <p><i>Eligible expenditure is:</i></p> <ul style="list-style-type: none"> • <i>Payments to or for the benefit of final recipients in cases referred to in Art. 37(7) CPR</i> • <i>Resources committed to guarantee contracts (outstanding or already come to maturity)</i> • <i>Management costs and fees</i> 	
44. In case the financial instrument is supporting financing to enterprises, including SMEs, is it targeting eligible final recipients?	Art. 37(4) CPR		<p><i>If yes, the instrument should be targeting one of the following:</i></p> <ul style="list-style-type: none"> • <i>Establishment of new enterprises</i> • <i>Early stage capital (i.e. seed capital and</i> 	

			<ul style="list-style-type: none"> • <i>start-up capital)</i> • <i>expansion capital</i> • <i>capital for the strengthening of the general activities</i> • <i>realisation of new projects</i> • <i>penetration of new markets</i> • <i>new developments by existing enterprises</i> 	
45. In case the financial instrument is supporting financing to enterprises, including SMEs, is the expenditure eligible?	Art. 37(4) CPR Guidance for Member States on Article 37(4) CPR Support to enterprises /working capital		<p><i>The investments can include tangible and intangible assets, working capital and/or proprietary rights.</i></p> <p><i>Working capital is understood to be the difference between current assets and current liabilities of an enterprise (e.g. payment of raw materials, manufacturing inputs, labour, inventories, overheads, finance of trade receivables and non-consumer sales receivables).</i></p>	
46. Does the support through FIs for enterprises comply with Fund-specific rules and is in line with the requirements set out under the relevant programme and priority?	Programme eligibility conditions			
47. If the instruments provide support to infrastructure investments supporting urban development or urban regeneration or diversification of non-agricultural activities in rural areas, does the investment concern a reorganisation of a debt portfolio?	Article 37(6) CPR		<ul style="list-style-type: none"> • <i>If yes, is this reorganisation concerning infrastructure forming part of a new investment?</i> • <i>If yes, is the support from the financial instrument to the investment not exceeding 20% of the costs?</i> 	
48. In case of ESIF/EFIS combination is the interim payment claim phased in line with the payment schedule set out in	Art. 39a(10) CPR		<i>This payment schedule shall further correspond to the payment schedule agreed for other investors in the same financial instrument.</i>	

the funding agreement?				
49. Are resources paid back to the financial instruments until the end of the eligibility period used for: <ul style="list-style-type: none"> • further investments through the same or other financial instruments, in accordance with the specific objectives set out under a priority; • where applicable, reimbursement of management costs incurred and payment of management fees of the financial instrument 	Art. 44 CPR			
VI. Eligibility of management costs and fees				
50. Does the MA calculate the management costs and fees in accordance with the funding agreement?	Art. 12 CDR			
51. Does the funding agreement include a performance-based calculation methodology? Is this methodology applied by the MA?	Art. 12 CDR		<i>Please verify that the MA's calculation includes at least the following elements:</i> <ul style="list-style-type: none"> • <i>Payment depending on the disbursement of contributions to final recipients</i> • <i>Payment depending on the resources paid back or release of resources committed in case of guarantees</i> • <i>Payment depending on the quality of accompanying of the investment (when applicable)</i> • <i>Payment depending on the contributions of the financial instrument to the objectives and outputs of the programme</i> 	

52. For the SME Initiative are the thresholds and provisions set by article 14 of Decision 2014/660/EU in line with the funding agreement?	Art 14 of Decision 2014/660/EU			
VII. Eligibility of final recipients and investments <i>(please fill this section for each file of a final recipient selected)</i>				
53. Is the final recipient selected according to the eligibility rules of the funding agreement?	Art. 65(1) CPR Art. 6(1) CDR		<i>Please note that the eligibility rules set in the funding agreement should contribute to the programme objectives (see question 30 above). In case of finding under question 30, no positive answer can be provided under this question.</i>	
54. Was the selection of the final recipient transparent, justified on objective grounds and in the absence of conflict of interest?	Art. 6(1) CDR		<i>In order to assess the mentioned selection elements, the auditor might consider to compare practice with the process adopted by the body implementing the financial instrument for their own investments as well as the one applied for the programme contributions. Do you agree with the assessment?</i>	
55. Is the investment located in an eligible area?	Art. 70(1) CPR		<i>Please consider some possible derogations mentioned in Art. 70(2) CPR</i>	
56. Is the investment project economically viable and assessed in the market practice of the fund manager?	Art. 6(1) CDR		<i>Please select control tests of some default cases (loans and equity) and used guarantees in order to assess the appropriateness of the selection process as well as the assessment of the economic viability performed by the fund manager</i>	
57. Was the investment physically completed or fully implemented at the date of the investment decision?	Art. 37(5) CPR			

<p>58. Did you obtain evidence that the support provided through the FI was used for its intended purpose?</p>	<p>Art. 9(1)(e)(xi), CDR 480/2014</p>		<p><i>In particular the following elements can be considered: Is the purpose for which the support was used the same as stipulated in the business plan or other equivalent documents?</i></p> <p><i>Following evidence can be taken into account, in addition to the Funding Agreement and the business plan:</i></p> <ul style="list-style-type: none"> - Receipt invoices - Accounting documents - External assessment (controls and audits by specialised auditors and controllers relevant for the type of final recipient, by the fund manager(s) and/or coming from the OP MCS) 	
<p>59. Is contribution in kind declared as eligible expenditure?</p>	<p>Art. 37(10) CPR, Art 69(1) CPR</p>		<p><i>The question is not applicable for the SME initiative.</i></p> <p><i>If yes, confirm that it takes the form of land or real estate and is related to investments in rural development, urban development and urban regeneration</i></p> <p><i>If yes, confirm the compliance with the criteria laid down in Art. 69(1) CPR :</i></p> <ul style="list-style-type: none"> • <i>the sum of the financial instrument support and the in kind contribution does not exceed the total eligible expenditure</i> • <i>the value of the in kind contribution does not exceed the market value</i> • <i>the value and the delivery of the contribution can be independently assessed and verified</i> • <i>there is a certification of an independent</i> 	

			<p><i>qualified expert</i></p> <ul style="list-style-type: none"> • <i>In case of a lease agreement, is the nominal amount per annum not exceeding a single unit of the currency of the Member State?</i> 	
60. Is VAT at the level of the investment declared as eligible expenditure?	Art. 37(11) CPR		<p><i>VAT at the level of investments made by the final recipients shall not be taken into account for the purposes of determining the eligibility of expenditure under the financial instrument.</i></p> <p><i>This question is to be replied only in case of a combination with a grant. For the part of the grant, the VAT should be separately verified if declared as eligible expenditure.</i></p>	
61. Is purchase of land declared as eligible expenditure and is it in line with the conditions of the CDR?	Art. 4 CDR		<p><i>Land built on and not built on should not exceed 10% of the programme contribution paid to the final recipient or 20% in case of urban development or urban regeneration activities. In case of guarantees, the above percentage applies to the loan or other risk-bearing instrument provided.</i></p>	
62. In case of combination of support in one operation (financial instrument operation), are the conditions met?	Art. 37(7) and (9) CPR Guidance for Member States on CPR Art. 37(7)(8)(9) – Combination of support from a financial instrument with other forms of support		<p><i>The other forms of support can be technical support (i.e. technical preparation of the investment), interest rate subsidies, guarantee fees subsidies.</i></p> <p><i>The following conditions apply:</i></p> <ul style="list-style-type: none"> • <i>The support must be directly related to the financial instrument</i> • <i>The support must target the same final recipient</i> • <i>State aid rules are complied with</i> • <i>Separate records are maintained for each</i> 	

			<p><i>form of support</i></p> <p><i>Please confirm if the conditions for the financial instrument were applied to the other types of support (co-financing rate, governance structure, payments, management costs and fees, etc.)</i></p> <p><i>Grants cannot be used to pre-finance or reimburse support received from financial instruments.</i></p> <p><i>Support provided through a financial instrument cannot be used to replace the national co-financing in a case of grants.</i></p>	
63. Is the support in the form of grants paid for the benefit of final recipients and not to the final recipient?	Art. 42(1)(a) CPR Art. 5 CDR			
64. In case a grant for technical support is provided in combination with the support from the financial instrument, is the grant used only for the purpose of technical preparation of the prospective investment for the benefit of the final recipient to be supported by that operation?	Art. 5 CDR			
65. In case final recipients receive assistance from other ESI Funds priority or from another instrument supported by the budget of the Union for the same project, are there separate records maintained for each source of assistance? Is the support from the financial instrument part of an	Art. 37(8) CPR		<p><i>This is the case of combination in two separate operations where each form of support follows its own rules.</i></p> <p><i>The auditors are expected to review only the information available at the level of the fund managers.</i></p>	

operation with eligible expenditure distinct from the other sources of assistance?				
66. If the FI is combined with a grant, can you confirm that the rules are respected for the grant?	Art 69(3) CPR		<p><i>In such cases, the eligibility rules both for grants and for the FI investments apply.</i></p> <p><i>In line with Art 69(3) CPR the following costs are not eligible:</i></p> <p><i>a) interest on debt, except in relation to grants given in the form of an interest rate subsidy or guarantee fee subsidy;</i></p> <p><i>b) the purchase of land not built on and land built on in the amount exceeding 10% of the total eligible expenditure for the operation concerned. For derelict sites and for those formerly in industrial use which comprise buildings, that limit is increased to 15%. In exceptional and duly justified cases, the limit may be raised for operations concerning environmental conservation;</i></p> <p><i>c) value added tax except where it is non-recoverable under national VAT legislation.</i></p>	
67. Is the support from the financial instrument covering the same expenditure item as the other forms of support?	Art. 37(9) CPR		<p><i>If yes, confirm that the sum of all forms of support does not exceed the total amount of the expenditure item concerned</i></p> <p><i>If yes, confirm that the final recipient does not use the grant to reimburse the support received for the FI or that FI support is not used to pre-finance grants</i></p>	
VIII. Payments				
68. Did the bodies implementing the FI	Art. 38(6) CPR		<i>In case of contributions to a financial instrument from</i>	

open a fiduciary account or a separate block of finance or a separate account?	Art. 39(6) CPR Art. 1 CIR 821/2014		<i>more than one programme or more than one priority axis or measure, separate accounts or accounting codes should be maintained</i>	
69. Does the application for interim payment exceed 25% of the total amount of programme contributions committed to the financial instrument?	Art. 39(7) CPR Art. 41 CPR EC Regulatory Guidance (Guidance for Member States on Article 41 CPR– Request for payment)		<i>For EU level instruments the Commission can pay up to 100% of the amounts to be paid by the Member State to the EIB as agreed in the funding agreement. Such request for payment shall comply with the condition of Article 39(7) CPR. The capping of 25% concerns the programme contribution (both ESIF and national co-financing)</i>	
70. In case the second application for interim payment is subject to the audit, was at least 60% of the amount included in the first application for payment spent as eligible expenditure?	Art. 41 (c) CPR		<i>Please consider possible systemic findings from the control tests which might put in question the achievement of the 60% threshold.</i>	
71. In case the third or subsequent applications for interim payment is subject to the audit, was at least 85% of the cumulative amount included in the previous applications for payments spent as eligible expenditure?	Art. 41 (c) CPR		<i>Please consider possible systemic findings from the control tests which might put in question the achievement of the 85% threshold.</i>	
72. In case of the SME Initiative for which the Member State's payment application to the Commission shall be made on the basis of 100 % of the amounts to be paid by the Member State to the EIB, did the amounts requested by the EIB cover commitments under guarantee agreements or securitisation	Art. 39(7) CPR		<i>Please see also question 69 above</i>	

transactions to be finalised within the three following months?				
IX. Irregularities				
73. Are individual irregularities identified in previous audits replaced by regular expenditure?	Art. 40(5)(a) CPR			
74. Are irregularities declared as irrecoverable from the bodies implementing the financial instrument to the MA?	Art. 6(3) CDR		<p><i>If yes, the following cumulative conditions should be fulfilled:</i></p> <ul style="list-style-type: none"> • <i>The irregularity occurred at the level of the final recipient, or in case of Fund of Funds, at the level of the financial intermediary</i> • <i>There is no fault in the selection of the final recipients</i> • <i>The body implementing the financial instrument pursued all applicable contractual and legal measures to recover the expenditure</i> 	
75. Has the risk of conflict of interests been addressed by the national authorities, both during the FI selection phase and during the FI implementation (including selection of final recipients? Have you noted any cases of (potential) conflict of interests?	Art. 61 Regulation (EU) 2018/1046		<p><i>The staff involved at all levels (MA, FoF, financial intermediaries) in selection, implementation and control of the FI should declare the absence of conflict of interests and report on any risk in this regard.</i></p>	

X. Audit trail, performance, information and communication

<p>76. Is there an appropriate audit trail allowing the performance of the present audit assignment?</p>	<p>Art. 40 CPR Art. 9 CDR</p>		<p><i>Following documents should be made available upon request:</i></p> <ul style="list-style-type: none"> • <i>establishment of the financial instrument (ex-ante analysis, funding agreement, etc.)</i> • <i>documents related to the selection of the FoF and/or financial intermediaries</i> • <i>amounts contributed, financial flow and separate accounting</i> • <i>monitoring, reporting and verifications, including checklists</i> • <i>interest, gains, use and re-use of resources</i> • <i>exit of programme contributions</i> • <i>management costs and fees</i> • <i>state aid compliance (e.g. de minimis, GBER, notification)</i> • <i>documents related to the selection of final recipients such as agreements (loan, guarantee, shared purchase, etc.) signed with final recipients</i> 	
<p>77. Is there an appropriate documentation of the national co-financing (public and private), in particular in the case when the national co-financing is made at the level of final recipients?</p>	<p>Art. 1(3) CIR 821/2014</p>		<p><i>Following evidence should be available:</i></p> <ul style="list-style-type: none"> • <i>Legal agreements with the private or public investors</i> • <i>Proof of the effective transfer of resources</i> 	
<p>78. In case of Art. 38(4)(b) (i)/(ii), entrusting tasks to EIB and international financial institutions, are the recommendations from the annual independent audit report implemented?</p>	<p>Art. 40 CPR and Implementing act</p>		<p><i>This report shall be issued annually. It should cover the set up and the selection and monitoring of the financial intermediaries.</i></p> <p><i>The implementation of the recommendations can be verified with the next reports.</i></p>	

79. Is the financial instrument contributing to the achievement of the indicators of the priority or measure concerned as foreseen in the programme?	Art. 46(2) (j) CPR		<i>Please indicate any cases of delays or other exceptions which might have an impact on the need for the instrument and the appropriateness of the ex-ante analysis or possible need for its update/review.</i>	
80. Is sufficient information about the participation of ESI Funds in the financial instrument provided at all levels (MA, Fund of Funds, financial intermediaries, final recipients)?	Article 115, Art. 6(1)(b) CDR		<i>Please consider here if the final recipients are sufficiently informed about the ESIF participation</i>	
<p>Closure of the instrument <i>(questions to be filled in addition to the questions under sections V, VI and VII)</i></p>				
81. Is the expenditure eligible?	Articles 42 CPR		<p><i>Eligible expenditure at closure is:</i></p> <ul style="list-style-type: none"> • <i>Payments to or to the benefit of final recipients</i> • <i>Resources committed to guarantee contracts (outstanding or already come to maturity)</i> • <i>Management costs and fees</i> <p><i>Eligible expenditure at closure foreseen to be allocated after the end of the eligibility period (paid into an escrow account specifically set up for that purpose) is:</i></p> <ul style="list-style-type: none"> • <i>Capitalised interest rate subsidies or guarantee fee subsidies (for a maximum of 10 years after the end of the eligibility period, in combination with loans or risk-bearing instruments disbursed to final recipients during the eligibility period)</i> • <i>Management costs and fees in case of</i> 	

			<p><i>equity based instruments and micro-credit for a maximum of 6 years after the end of the eligibility period</i></p> <ul style="list-style-type: none"> • <i>Equity based instruments in case of follow-up investments not exceeding 20% of the eligible expenditure of the instrument</i> <p><i>Management costs and fees paid after the end of the eligibility period in case of equity based instruments should not exceed 1,5% per annum of the programme contribution paid to final recipients</i></p> <p><i>Management costs and fees paid after the end of the eligibility period in case of micro-credit should not exceed 1% per annum of the programme contribution paid to final recipients</i></p> <p><i>Disbursement of eligible expenditure to final recipients up to the thresholds mentioned in Art. 41(c) CPR is a condition for payment as from the second application for interim payment</i></p>	
82. Are capitalised interest rate subsidies and guarantee fee subsidies calculated at the end of the eligibility period as the total of discounted payment obligations?	Art. 11 CDR			
83. In case of a preferential remuneration of investors operating under the market economy principle, is it proportionate to the risk taken and limited to the minimum necessary to attract them ?	Art. 43a CPR and 6(1) (d) CDR		<p><i>For example, the following elements can be reviewed:</i></p> <ul style="list-style-type: none"> • <i>Results of the ex-ante assessment</i> • <i>Results of a competitive tender (if applicable)</i> 	
84. Are interest and other gains used for the same objectives as those of the financial	Art. 43 CPR Guidance note		<i>Those interest and other gains should be attributable to the ESI Funds support and differ</i>	

instrument? (treasury management)	about interest and other gains generated by European Structural & Investment Funds support paid to financial instrument		<i>from the re-use of resources paid back.</i>	
85. Are resources paid back to the financial instruments until the end of the eligibility period used for: <ul style="list-style-type: none"> • further investments through the same or other financial instruments, in accordance with the specific objectives set out under a priority; • where applicable, to cover the losses in the nominal amount of the ESI Funds contribution to the financial instrument resulting from negative interest, if such losses occur despite active treasury management by the bodies implementing financial instruments; • where applicable, reimbursement of management costs incurred and payment of management fees of the financial instrument 	Art. 44 CPR			
86. Are adequate measures in place in order to ensure the use of resources attributable to the support of the ESI Funds after the end of the eligibility period in compliance with Article 45 CPR	Art. 45 CPR		<i>Please verify if there is any exit policy for the contribution from the ESI Funds out of the financial instrument defined in the funding agreement.</i>	

and the funding agreement?			
87. Is the expenditure declared as management costs eligible?	EGESIF 15/0021 EC Regulatory Guidance (Guidance for Member States on Article 42(1)(d) CPR– Eligible management costs and fees)	<p><i>The question of what constitutes eligible expenditure regarding management costs is dealt with in the first instance by national rules.</i></p> <p><i>Such eligible expenditure may include costs incurred by the body implementing the FI as part of the preparation of investment decisions (by including also scouting costs for risk capital instruments), and the subsequent monitoring and follow-up of investments (e.g. technical studies, audit, legal expertise, etc) but should not include costs which are directly imputable to the preparation or implementation of individual projects or investment plans by final recipients, such as the costs of obtaining planning consent, technical feasibility studies, project management expenses, which are part of the costs of the investment.</i></p> <p><i>Following costs are in general considered eligible as management costs and fees:</i></p> <ul style="list-style-type: none"> • <i>Staff costs</i> • <i>Travel and subsistence expenses</i> • <i>Rent</i> • <i>Equipment</i> • <i>IT system</i> • <i>Consumables and supplies</i> <p><i>Such costs can incur during activities such as selection and tendering procedures, controls, monitoring and reporting, consultancy, information and communication. They can be calculated also as overheads (i.e. fees).</i></p> <p><i>Those costs should exclude preparation and implementation costs imputable to the single</i></p>	

			<p><i>investments such as planning consent, technical feasibility studies, project management costs.</i></p> <p><i>Those costs should also exclude advisory, legal or accounting fees directly charged to the final recipients by the body implementing the financial instrument.</i></p>	
88. Are the management fees eligible?	EGESIF 15/0021 EC Regulatory Guidance (Guidance for Member States on Article 42(1)(d) CPR– Eligible management costs and fees)		<i>Management fees are eligible if they are in line with the funding agreement.</i>	
89. In case of equity and a majority of capital provided by an investor, and the programme contributions are provided pari passu with the investor, do the management costs and fees exceed those paid by the investors?	Art. 13(5) CDR		<i>Majority of capital means more than 50%.</i>	
90. In case of a Fund of Funds, do the management costs and fees exceed the thresholds? Is this justified by the results of the competitive selection on the market?	Art. 13(1), (3) and (6) CDR		<p><i>As from the signature of the funding agreement: 3% for the 1st year, 1% for the 2nd year and 0,5% for the following years of the programme contributions paid to the Fund of Funds</i></p> <p><i>0,5% per annum of programme contributions paid by the Fund of Funds to financial intermediaries</i></p> <p><i>The aggregate amount paid to the Fund of Funds should not exceed 7% of the total amount of programme contributions</i></p>	

			<p><i>In case a Fund of Funds is also implementing a specific financial instrument, the thresholds for management costs and fees are not cumulative. The Fund of Funds remuneration decreases with the amount of remuneration due for the implementation of the specific fund.</i></p>	
<p>91. In case of a body implementing the financial instrument providing equity, are the thresholds exceeded? Is this justified by the results of the competitive selection on the market?</p>	<p>Art. 13(2), (3) and (6) CDR</p>		<p><i>Base remuneration: As from the signature of the funding agreement: 2,5% per annum for the first two years, thereafter 1% per annum</i></p> <p><i>Performance-based remuneration: 2,5% per annum of resources paid to final recipients or resources re-invested</i></p> <p><i>Aggregate amount should not exceed 20% of the total amount of programme contribution</i></p>	
<p>92. In case of a body implementing the financial instrument providing loans, are the thresholds exceeded? Is this justified by the results of the competitive selection on the market?</p>	<p>Art. 13(2), (3) and (6) CDR</p>		<p><i>Base remuneration: As from the signature of the funding agreement: 0,5% per annum</i></p> <p><i>Performance-based remuneration: 1% per annum of resources paid to final recipients or resources re-invested</i></p> <p><i>Aggregate amount should not exceed 8% of the total amount of programme contribution</i></p>	

<p>93. In case of a body implementing the financial instrument providing guarantees, are the thresholds exceeded? Is this justified by the results of the competitive selection on the market?</p>	<p>Art. 13(2), (3) and (6) CDR</p>		<p><i>Base remuneration: As from the signature of the funding agreement: 0,5% per annum</i></p> <p><i>Performance-based remuneration: 1,5% per annum of outstanding guarantee contracts or resources re-invested</i></p> <p><i>Aggregate amount should not exceed 10% of the total amount of programme contribution</i></p>	
<p>94. In case of a body implementing the financial instrument providing micro-credit, are the thresholds exceeded? Is this justified by the results of the competitive selection on the market?</p>	<p>Art. 13(2), (3) and (6) CDR</p>		<p><i>Base remuneration: As from the signature of the funding agreement: 0,5% per annum</i></p> <p><i>Performance-based remuneration: 1,5% per annum of resources paid to final recipients or resources re-invested</i></p> <p><i>Aggregate amount should not exceed 10% of the total amount of programme contribution</i></p>	
<p>95. In case of a body implementing the financial instrument providing grants, interest rate subsidies or guarantee fee subsidies in line with Article 37(7) CPR, are the thresholds exceeded? Is this justified by the results of the competitive selection on the market?</p>	<p>Art. 13(2), (3) and (6) CDR</p>		<p><i>Base remuneration: As from the signature of the funding agreement: 0,5% per annum</i></p> <p><i>Performance-based remuneration: 0,5% of the grant amount paid to final recipients</i></p> <p><i>Aggregate amount should not exceed 6% of the total amount of programme contribution</i></p>	

96. Were the objectives set in the programme, and specified in the ex-ante assessment and later in the funding agreement, achieved?			<i>If not, is there an acceptable reason? What is the outlook for a similar FI for the period 2021-2027?</i>	
Conclusions				
97. Overview of findings			<i>Please list the findings</i>	<i>Please indicate the financial impact of each finding as well as the overall financial impact</i>
98. Recommendations				