

December 2023

Directorate General Growth, Ministry of Finance
C7.1R1 - Milestone no. 278
Clear delimitation between control and implementation duties

1. Description:

1.1 Relevant milestone/target:

#	Related Measure (Reform or Investment)	M/T	Name	Qualitative indicators (for milestones)	Quantitative indicators (for targets)			Indicative timeline for completion		Responsibility for reporting and implementation	Verification mechanism	Description of each milestone and target
					Unit of measure	Baseline	Goal	Quarter	Year			
278	C7.1R1 Arrangements for the control framework of the Recovery and Resilience Plan	M	Clear delimitation between control and implementation duties	Adopted instructions and proof of dissemination to all Implementing Bodies.				Q4	2023	Directorate General Growth, Ministry of Finance	Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled. This document shall include as an annex the following documentary evidence: a) <u>a copy of the mandatory instructions adopted by the Council of Ministers</u> b) <u>a copy of the circular letter sent to all implementing and other relevant bodies demonstrating</u>	<u>The Council of Ministers shall adopt mandatory instructions prepared by the Coordinating Authority which shall cover at least the following areas:</u> <ul style="list-style-type: none"> <u>The risk assessment methodology to be applied for all verification types (administrative and on the spot).</u> <u>Verifications for double funding and procedures for its avoidance.</u> <u>The treatment of irregularities and the whistle blowing process followed for interventions (projects or schemes) funded by the Union.</u> <u>Requirements for audit trail;</u>

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Deleted: a copy of the Council of Ministers decision approving the Guidelines for the Protection of the Financial Interests of the Union and the Revised Policy for countering Fraud and the second Fraud Risk Assessment exercise and Action Plan⁴

Deleted: Proof of dissemination to all Implementing and other relevant Bodies of the Guidelines for the Protection of the Financial Interests of the Union and the Revised Policy for countering Fraud and the second Fraud Risk Assessment exercise and Action Plan

Deleted: circular letter sent to all implementing and other bodies demonstrating dissemination of the instructions to clearly segregate their responsibilities, ensuring a clear separation between control and implementation duties and requiring that controls are conducted in alignment with them

#	Related Measure (Reform or Investment)	M/T	Name	Qualitative indicators (for milestones)	Quantitative indicators (for targets)			Indicative timeline for completion		Responsibility for reporting and implementation	Verification mechanism	Description of each milestone and target
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											<p><u>dissemination of the instructions to clearly segregate their responsibilities, ensuring a clear separation between control and implementation duties and requiring that controls are conducted in alignment with them.</u></p>	<ul style="list-style-type: none"> • <u>A central fraud risk assessment for all contracting authorities, taking into consideration all the elements outlined in the Guidance Note on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures for ESIF 2014-2020. Each contracting authority functioning under the RRP is mandated to comply with the action plan devised by the central fraud risk assessment team.</u> • <u>Establishment of specific functions for PFIU, dedicated to tackling issues related to fraud, corruption, and conflicts of interest in Implementing Bodies implementing aid schemes under the RRP.</u> <p><u>The instructions shall be distributed to all entities involved in the implementation, monitoring and control of the RRP and shall clearly segregate their responsibilities, ensuring a clear separation between control and</u></p>

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					Unit of measure	Baseline	Goal	Quarter	Year			
												implementation duties and shall require that controls are conducted in alignment with them.

1.2 Description of reform as in CID-Annex

Reform 1 (C7.1R1): Arrangements for the control framework of the Recovery and Resilience Plan

The objective of the measure is to improve the control framework of the Cypriot Recovery and Resilience Plan. To ensure an effective implementation of proportionate measures for the protection of the financial interests of the Union (PFIU) according to the Article 22 of the RRF Regulation. The Council of Ministers shall adopt mandatory instructions prepared by the Coordination Authority and distributed upon their adoption to all relevant bodies.

The reform shall be completed by 31 December 2023.

2. Evidence provided:

Verification mechanism	FENIX document
Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled	SD - Milestone 278
A copy of the mandatory instructions adopted by the Council of Ministers.	SD M278 – Annex 1: Council of Ministers' Decision Approving the Guidelines for the Protection of the Financial Interests of the Union and the Revised Policy for countering Fraud and the second Fraud Risk Assessment exercise and Action Plan

Deleted: The Council of Ministers' shall adopt and the Coordinating Authority (Directorate General Growth, Ministry of Finance) shall distribute to all Implementing Bodies mandatory instructions prepared by the Coordinating Authority which shall cover at least the following areas: ¶ the risk assessment methodology to be applied for all verification types (administrative and on the spot), ¶ verifications for double funding and procedures for its avoidance, ¶ the treatment of irregularities and the whistle blowing process followed for interventions (projects or schemes) funded by the Union, ¶ requirements for audit trail, ¶ a central fraud risk assessment for all contracting authorities, taking into consideration all the elements outlined in the Guidance Note on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures for ESIF 2014-2020. Each contracting authority functioning under the RRP is mandated to comply with the action plan devised by the central fraud risk assessment team. ¶ establishment of specific functions for PFIU, dedicated to tackling issues related to fraud, corruption, and conflicts of interest.

Deleted: A Council of Ministers Decision adopting mandatory instructions prepared by the Coordinating Authority, which cover at least the following areas: ¶ the risk assessment methodology to be applied for all verification types (administrative and on the spot), ¶ verifications for double funding and procedures for its avoidance, ¶ the treatment of irregularities and the whistle blowing process followed for interventions (projects or schemes) funded by the Union, ¶ requirements for audit trail (financial flows for interventions funded through the RRP), ¶ A central fraud risk assessment for all contracting authorities, taking into consideration all the elements outlined in the Guidance Note on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures for ESIF 2014-2020. ¶ Each contracting authority functioning under the RRP is mandated to comply with the action plan devised by the central fraud risk assessment team. ¶ Establishment of specific functions for PFIU, dedicated to tackling issues related to fraud, corruption, and conflicts of interest.

A copy of the circular letter sent to all implementing and other relevant bodies demonstrating dissemination of the instructions to clearly segregate their responsibilities, ensuring a clear separation between control and implementation duties and requiring that controls are conducted in alignment with them.

SD M278 – Annex 2: Circular letter to all implementing and other relevant bodies involved in the implementation of the RRP notifying them of the new Council of Ministers Decision and instructing them to adhere to the provisions of the Guidelines for the Protection of the Financial Interests of the Union and the Revised Policy for countering Fraud and the second Fraud

Risk Assessment exercise and Action Plan

SD M278 – Annex 2.1: Guidelines for the Protection of the Financial Interests of the Union

SD M278 – Annex 2.1.1 up to SD M278 – Annex 2.1.12 of the Guidelines

SD M278 – Annex 2.2: List of interventions assigned to each Technical Verification Body appointed by the CoM

SD M278 – Annex 2.3: Revised Anti-Fraud Policy of the Coordinating Body

SD M278 – Annex 2.4: Revised methodology for assessing the risks for Fraud and the revised Action Plan following the second assessment undertaken by the Central Fraud Risk Assessment Team

SD M278 – Annex 3: The full 2nd Fraud Risk Assessment Exercise undertaken by the Central Fraud Assessment Team

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3. Detailed justification:

The milestone has been successfully fulfilled, as mandatory instructions prepared by the Coordinating Authority and approved by the Council of Ministers have been distributed upon their adoption to all relevant entities involved in the implementation, monitoring and control of the RRP. The instructions clearly segregate the responsibilities of each entity involved, ensuring a clear separation between control and implementation duties.

RRP Requirements	Justification
<u>The Council of Ministers shall adopt mandatory instructions prepared by the Coordinating Authority which shall cover at least the following areas:</u>	The mandatory instructions («Κατευθυντήριες Γραμμές – Διαδικασίες διασφάλισης της Προστασίας των Οικονομικών Συμφερόντων της Ένωσης» - SD M278 – Annex 2.1), were approved by the Council of Ministers on 7/12/2023 (SD M278 – Annex 1) and distributed to all Implementing and relevant bodies for implementation on 8/12/2023 (SD M278 – Annex 2).
- <u>The risk assessment methodology to be applied for all verification types (administrative and on the spot),</u>	Refer to SECTION 3 of the Guidelines – Risk Assessment Methodology to be applied for all administrative and on the spot verifications

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RRP Requirements	Justification
	<p><i>SECTION 4 Covers obligations for internal control mechanisms of Implementing Bodies – legal obligations imposed through national regulatory framework</i></p> <p>The rest of the sections provide for additional controls mandated through the new guidelines that are specific for interventions funded through the RRP.</p> <p>The verification types covered by the Guidelines are the following:</p> <ol style="list-style-type: none"> 1. Verifications for interventions implemented through procurements <ol style="list-style-type: none"> a. On the spot technical verifications (performed by Technical Verification Bodies) (<i>SECTION 5.3</i>) b. Administrative verifications of payments (performed by the Directorate of Financial Control of European Funds of the Treasury of the Republic (DFC) – former Verifications and Certification Directorate (VCD)) (<i>SECTION 5.4</i>) 2. Verifications for public procurement – covered in a previously issued circular¹ – Performed by the Public Procurement Directorate of the Treasury of the Republic 3. Verifications of interventions implemented through aid schemes (covered in a separate circular issued by the CA²): <ol style="list-style-type: none"> a. on the spot verifications performed by Implementing Bodies responsible for Aid Schemes in accordance to the scheme provisions (<i>SECTION 6.3</i>) b. administrative verifications performed by Implementing Bodies responsible for Aid Schemes in accordance to the scheme provisions (<i>SECTION 6.2</i>) c. Verifications following the completion of projects within aid schemes performed by Implementing Bodies responsible for Aid Schemes for completed projects for which the responsibility for maintaining the investment is still ongoing (<i>SECTION 6.4</i>)

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¹ Κατευθυντήριες Γραμμές για τις «Διαδικασίες Διασφάλισης Συμβατότητας με την Εθνική και Ενωσιακή Πολιτική για τις Δημόσιες Συμβάσεις και Διασφάλισης της Πρόληψης, του Εντοπισμού και της Διόρθωσης Περιπτώσεων Απάτης, Διαφθοράς και Σύγκρουσης Συμφερόντων», Ιούλιος 2022

² Κατευθυντήριες Γραμμές ΣΑΑ «Διαδικασίες ένταξης και επαλήθευσης έργων Σχεδίων Χορηγιών», Οκτώβριος 2023

RRP Requirements	Justification
	<p>4. Verifications for the achievement of milestones and targets, implemented by the Coordinating Authority / Monitoring Bodies (where such bodies are appointed) (SECTION 7)</p> <p>5. Verification of the adherence to the obligations of Implementing Bodies responsible for Aid Schemes and of Technical Verification Bodies, performed by the Coordinating Authority and the Directorate of Financial Control of European Funds of the Treasury of the Republic (DFC) – former Verifications and Certification Directorate (VCD) (SECTION 8)</p> <p>6. Verifications for the avoidance of double funding performed by the Directorate of Financial Control of European Funds of the Treasury of the Republic (DFC) – former Verifications and Certification Directorate (VCD) (SECTION 9)</p> <p>7. Verifications for the absence of Conflicts of Interest (covered by a circular previously issued by the CA¹) performed by the Directorate of Financial Control of European Funds of the Treasury of the Republic (DFC) – former Verifications and Certification Directorate (VCD) Επαληθεύσεις απουσίας σύγκρουσης συμφερόντων, οι οποίες περιγράφονται στις Κατευθυντήριες Γραμμές για τις Διαδικασίες Διασφάλισης Συμβατότητας με την Εθνική και Ενωσιακή Πολιτική για τις Δημόσιες Συμβάσεις και Διασφάλισης της Πρόληψης, του Εντοπισμού και της Διόρθωσης Περιπτώσεων Απάτης, Διαφθοράς και Σύγκρουσης Συμφερόντων</p>
- Verifications for double funding and procedures for its avoidance,	Refer to SECTION 9 of the Guidelines – Procedures for the avoidance of double funding
- The treatment of irregularities and the whistle blowing process followed for interventions (projects or schemes) funded by the Union,	<p>Refer to SECTION 12 of the Guidelines for the treatment of irregularities</p> <p>Refer to SECTION 13 of the Guidelines for the whistle blowing process for interventions funded by the Union</p>
- Requirements for audit trail;	Refer to SECTION 11 of the Guidelines for the requirements on audit trail
- A central fraud risk assessment for all contracting authorities, taking into consideration all the elements outlined in the Guidance Note on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures for ESIF 2014-2020. Each contracting authority functioning under the RRP is mandated to	<p>Refer to SD M278 – Annex 2.4 Methodology for the Fraud Risk Assessment and Revised Action Plan following the second assessment exercise undertaken by the Central Fraud Risk Assessment Team</p> <p>Refer to Section 1c of SD M278 – Annex 2.4 for the setting up of the Central Fraud Risk Assessment Team and for a justification why the Central Fraud Risk Assessment Exercise covers the requirements for all contracting authorities.</p>

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RRP Requirements	Justification
comply with the action plan devised by the central fraud risk assessment team.	Attached to the Methodology for the Fraud Risk Assessment and Revised Action Plan is the Annex (SD M278 – Annex 3) – Excel file with details of the assessment exercise undertaken during the second assessment of the Central Fraud Risk Assessment Team in line with <i>COM Guidance Note on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures for ESIF 2014-2020 - EGESIF 14-0021-00, 16/06/2014</i>
- Establishment of specific functions for PFIU, dedicated to tackling issues related to fraud, corruption, and conflicts of interest in Implementing Bodies implementing aid schemes under the RRP.	Refer to SD M278 – Annex 2.4 – Methodology for the Fraud Risk Assessment and Revised Action Plan following the second assessment exercise undertaken by the Central Fraud Risk Assessment Team Refer to Sections 1d and 1e of SD M278 – Annex 2.4 for the setting up of specific fraud risk assessment teams at the level of the Implementing Bodies for Aid Schemes and for undertaking a specific fraud risk assessment at the level of the IB, targeting controls and procedures at that level. The IBs implementing Aid Schemes are mandated to appoint officers responsible for the protection of the Financial Interests of the Union who are responsible for ensuring compliance with the CA Guidelines for the procedures to avoid conflict of interests and for the verification procedures which are based on risk assessment and include procedures for avoiding double funding, handling irregularities and the whistle-blowing process to ensure the protection of the financial interests of the Union.
<u>The instructions shall be distributed to all entities involved in the implementation, monitoring and control of the RRP and shall clearly segregate their responsibilities, ensuring a clear separation between control and implementation duties and shall require that controls are conducted in alignment with them.</u>	Refer to the body of the proposal for a Council of Minister’s decision (SD M278 – Annex 1) where the Council of Ministers mandates a) the appointment of the new verification bodies which are functionally independent from Implementation Bodies and their administrative reinforcement with additional staff and b) the adherence to the controls prescribed in the new guidelines. The guidelines (SD M278 – Annex 2.1) also include a section (SECTION 8) where the Coordinating Authority in cooperation with the DFC of the Treasury of the Republic monitor the effective implementation of the new controls.

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