

## **Pillar assessment for InvestEU**

### **Questions & Answers**

#### **1. What deadlines apply?**

The pillar assessment can be requested at any moment, no deadlines apply.

In principle, the pillar assessment takes 6 to 18 months, depending on the entity, the complexity of its structure, the internal departments involved, the availability of resources when the auditors carry out the assessment, the number of pillars to check (e.g.: accounting, audit, grants, procurement, financial instruments/budgetary guarantees).

A guarantee agreement with the Commission under InvestEU can be signed only after the completion of the pillar assessment process, provided that the relevant pillars have been positively assessed by the auditor (see also point 3(f)).

#### **2. Will there be a call or several calls?**

There are no calls for carrying out the pillar assessment. The entity that intends to become an Implementing Partner, hence to be entrusted of managing EU funds under indirect management, shall express its interest to the Commission to be pillar assessed.

The InvestEU guarantee will however be allocated via calls, with the first one tentatively scheduled for beginning 2020, subject to adoption of the legal basis. Entities wishing to become an Implementing Partner under InvestEU do not need to have completed the pillar assessment to answer the call, but are expected to be in the process of passing it.

#### **3. How does the pillar assessment work in practice?**

- a) In order to start the process, the interested entity needs to submit an application to the Commission. DG ECFIN is the contact point for InvestEU.
- b) The Commission carries out an opportunity and legal check, including compliance of the entity with Article 12 of the proposed InvestEU Regulation, before giving the green light to start the pillar assessment procedure.
- c) An independent auditor is contracted by the entity. This auditor must be:
  - a registered member of a national accounting or auditing body or institution which in turn must be a member of the International Federation of Accountants (IFAC).
  - certified to perform statutory audits.
  - functionally independent of the entity. Hence, any internal auditor of the entity subject to the assessment is not eligible.

The entity is free to choose the auditor but the Commission methodology of the assessment has to be fully complied with.

- d) The auditor assesses the systems in place and the controls, rules and procedures applied by the entity for each pillar against the criteria set by the Commission for this pillar. The fulfilment of these criteria would be answered by yes or no.

*Example: "Has the entity set up and ensured the functioning of an effective efficient internal control system?"*

In case of a positive answer, there will be further key questions and criteria to assess the effectiveness and efficiency of this pillar and points will be attributed.

On the basis of these key questions and criteria, the auditor will also have to perform tests and procedures to assess how well those procedures function in reality.

The assessment should be performed (Article 154(4) of the Financial Regulation) in accordance with the proportionality principle. This means that the assessment should be proportional to the specific risks of the scope of budget implementation tasks to be entrusted to the entity.

- e) The independent auditor will send the result of its assessment in a report<sup>1</sup> to the Commission. If the outcome of the assessment is positive, the entity may become an implementing partner and can, provided it has answered a call of expression of interest under the InvestEU Regulation, enter into negotiations with the Commission with a view to signing a guarantee agreement.
- f) If the outcome of the assessment reveals that the systems and procedures of the entity are only partially compliant<sup>2</sup>, the auditor should recommend actions to improve and make the systems fully compliant with the pillar in case of material deficiencies<sup>3</sup>. These recommendations from the auditor will form a basis for the supervisory measures that the Commission will take. The supervisory measures will be inserted into the guarantee agreement between the Commission and the implementing partner, jointly with the specific provisions for the implementation of the guarantee. Information about any such measures shall be made available to the European Parliament and to the Council at their request. If the deficiency is too serious the Commission can decide to not sign an agreement until the recommendation for remedy is implemented.

#### **4. How much does the pillar assessment cost?**

According to rough estimates based on past experience, a pillar assessment costs between EUR 30 000 to 100 000. Costs can be higher and lower depending on the size, preparedness and level of sophistication of the assessed entity as well as the number of pillars to be assessed and the fees charges by the auditor.

#### **5. Who pays for the pillar assessment?**

The assessed entity, that also contracts the auditor of its choice, bears the costs of the assessment. However, entities can receive support to prepare their systems for the pillar assessment from the reform programme supported by the Union budget

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<sup>1</sup> The report can contain two types of findings: (i) main findings which relate to material weaknesses or deficiencies in system, controls, rules and procedures, or several findings which taken in the aggregate, involve a finding of material weaknesses or deficiency and (ii) other findings which are non-material that the auditor believed should be brought to the attention of the entity.

<sup>2</sup> The Commission considers that systems and procedures related to internal control, external audit and accounting shall be assessed as fully compliant and may decide that systems and procedures relating to other requirements need to be as well.

<sup>3</sup> For the purpose of determining what is a material weakness or deficiency in systems, controls, rules and procedures the Auditor must take into account the criteria and the levels of importance (i.e. scoring thresholds) defined by the Commission as these factors might influence the decision of the Commission to entrust budget implementation tasks to the entity.

(Structural Reform Support Programme), if the request has been submitted by the relevant Member State to and approved by the Structural Reform Support Service of the Commission in the annual exercise for such support.

**6. How does this fit with the legislative processes for the next MFF?**

The Commission aims to have the entities contributing to the implementation of Union programmes (including InvestEU) assessed before the relevant actions start. The implementation of Union programmes under the MFF post-2020 will start in 2021. The Commission is updating the terms of reference for the pillar assessment, to ensure their alignment with the new Financial Regulation of the EU, which entered into force on 2 August 2018.

**7. Our institution was already assessed in the past – how does the up-date happen?**

In case the entity was already pillar assessed in the past, it will be necessary to establish which pillars were assessed and which of the questions have changed in the revised terms of reference so that an update of the replies corresponds to those. In addition, it will have to confirm to the Commission that there have been no substantial changes in its systems. If there have been, an assessment needs to be performed for those systems, rules and procedures. Furthermore, the entity will have to provide replies to those pillars that were not included in the pillar assessment at that time to the extent they are relevant to the budgetary tasks to be implemented by the entity.

**8. Changes to the systems of the pillar assessed implementing partner?**

Once a positive assessment has been carried out, the entity will have to inform the Commission if there is a substantive change to the assessed systems. Depending on the nature of the change, this may require an update of the assessment.

**9. Whom to contact?**

DG ECFIN is the contact point of the Commission for InvestEU.