

# Context and objective of the project



## ECA report findings:

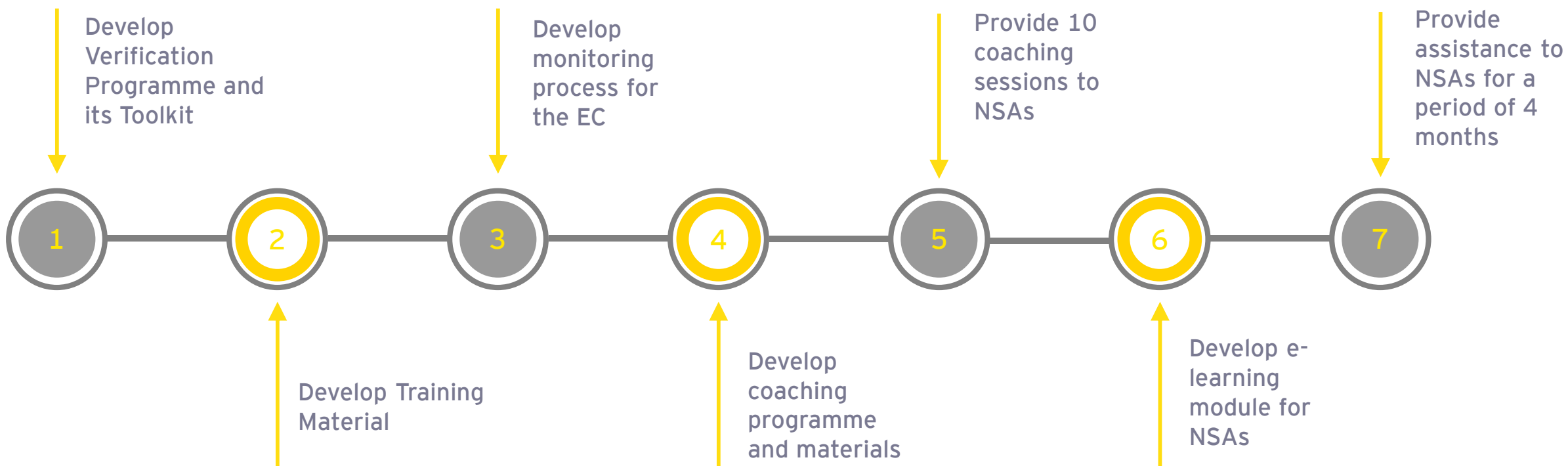
- **NSAs do not regularly conduct inspections on important elements of the costs charged to users: eligibility, economy and adequate cost allocation.** [...] the Commission's guidance on cost allocation between en-route and terminal charging zones was insufficient, leading to the risk of cross-subsidization between en-route and terminal navigation services. [Pages 43, 44 of the report]
- **No regular inspections were carried out to provide assurance that only eligible costs are included in the charging scheme nor on whether they were incurred in a cost-efficient manner and adequately allocated between en-route and terminal charging zones.** [Page 27 of the report]
- **The Commission and the NSAs should regularly conduct the inspections set out in the current legislation,** covering in particular the eligibility of costs charged and their allocation between en-route and terminal charging zones. [Recommendation 4 - Ensure inspection coverage of the charging scheme. Pages 43, 44 of the report]

### Project Objective

Support the development of a structured and systematic approach for NSAs regarding the verification of the determined and actual ANS costs



# Project Deliverables





# Overview of the milestones and deliverables



## Interviews with NSAs

- ▶ An instrument for information gathering regarding the existing **cost-eligibility approaches** at the level of the various NSAs for RP2, and any foreseen changes in the approach for RP3.
- ▶ The structure of the questionnaire:
  - ▶ **The NSA oversight programme:** scope and main steps of such a programme, key procedures performed and frequency, specific verification areas such as cost allocations, verification of actual costs;
  - ▶ **Provision of information by the ANSPs:** if any obstacles exist to obtaining information, what is provided;
  - ▶ **The structure of the NSA verification team:** what kind of expertise is available in the NSA for these checks.

### Interviews with 15 NSAs (Oct - Dec '19)

Cyprus	Italy	Finland	Slovenia	Croatia
UK	Sweden	Switzerland	Norway	Malta
Portugal	France	Spain	Romania	Czech Republic



## Pilot Missions

- ▶ Meetings with the representatives of the NSAs that deal with cost eligibility verifications;
- ▶ Discussions on our draft materials and feedback on the relevance and feasibility of the proposed verification procedures;
- ▶ Countries that contributed to the Pilot Missions:
  - Cyprus,
  - Norway,
  - Ireland,
  - Croatia, and
  - Switzerland.
  - Poland provided insights on the draft versions of the Verification Programme and Training Material.



# Overview of the milestones and deliverables



## Verification Programme

- ▶ Verification procedures as per type of costs:
  - ▶ determined costs and
  - ▶ actual costs.
- ▶ Verification procedures organised into three sections:
  - ▶ **Planning** - *preparation phase prior to going on the spot to visit the ANSP, for setting the scope of the verification, collecting documentation and performing initial checks;*
  - ▶ **Execution** - *phase in which the verification procedures are carried out, normally during a visit at the ANSP;*
  - ▶ **Conclusion** - *finalisation phase during which a verification report is prepared and any findings are shared and discussed with the ANSP.*
- ▶ Differences in verification timelines between determined and actual costs:
  - ▶ determined costs the checks are foreseen to be done in preparation of the Performance Plans, while
  - ▶ actual costs, verifications are envisaged on an yearly basis, prior to the submission of the reporting tables in June.

Ref	Procedures	Factual finding	Result (C / E / N.A.)
<b>A.2.1 VERIFICATION OF COSTS BY NATURE (COST BASE ELIGIBILITY AND ACCURACY)</b>			
<b>A.2.1.1</b>	<b>PROCEDURES TRANSVERSAL TO ALL COST CATEGORIES BY NATURE</b>		
	The NSA needs to verify that the ANSP has prepared its financial accounts and these have been audited. The financial statements need to comply with the international accounting standards adopted by the Community.	1) The ANSP's financial statements have been subject to an independent financial audit and have been published	C
	The NSA further needs to gain reliance that, when providing a bundle of services, ANSPs identify and disclose the costs and income deriving from ANS, broken down in accordance with the charging scheme for air navigation services and, where appropriate, keep separate accounts for other, non-ANS, as they would be required to do if the services in question were provided by separate undertakings.	2) The ANSP has separate ANS and non-ANS accounts	C
	Thus, the NSAs need to check the audit trail between the Financial Statements of the ANSP, audited by an external financial auditor, the regulated accounts (ANS cost) and the reporting tables submitted to the Commission, by performing various procedures:	3) The ANSP made available to the NSA an overview of adjustments done to the Financial Statements to obtain the cost base for the ANS accounts	C
	<ul style="list-style-type: none"> <li>o Consider the total expenses and income in the Financial Statements vs the total cost base of the ANS cost. A higher cost base than the total of the Financial Statements should not be possible;</li> <li>o Analyse the grouping/mapping of the ANS costs vs the grouping by cost by nature in the Reporting Tables;</li> <li>o Conclude whether an audit trail can be established between the Financial Statements, the ANS accounts and the amount reported in the Reporting Tables.</li> </ul>	4) The grouping/mapping of the ANS accounts reasonably corresponds to the costs by nature reported	C
	In addition to this, the NSA needs to check that the reported costs do not include elements that are specifically not allowed under the Service Provision Regulation, such as the cost of penalties imposed by Member States according to Article 9 of the Framework Regulation and the cost of any corrective measures imposed by Member States according to Article 11 of the Framework Regulation.	5) It is possible to reconcile amounts reported in the Reporting Tables by the ANSP to the ANS accounts and to the audited Financial Statements	C
	<b>Legal basis:</b> Regulation (EC) No 550/2004, Art. 10.2 (a), Art. 10.2 (h), Art. 10.2 (i), Art. 12.1, Art. 12.3, Art. 15.2 (b), Art. 15.2(c), Art. 15.2(d), 15.2(f), Art. 22.1, Art. 22.2, Art. 22.3, Art. 22.4, Art. 22.5, Art. 22.7, Art. 28.1, Art. 28.2, Art. 28.3, Art. 28.4, Art. 28.5, Art. 28.6, Art. 31.6; Annex VII, Point 1.1, Point 1.2, Point 2.1(b), Point 2.1(f); Annex IX, Point 1	6) The ANS costs do not include the cost of penalties or the cost of corrective measures imposed under the Framework Regulation	C



# Overview of the milestones and deliverables



## Verification Programme Toolkit

### Planning of the verification

- Tool 1 - Template letter for the announcement of the verification
- Tool 2 - Standard list of documents to be requested from the ANSP in view of the verification
- Tool 3 - Template for the pre-fieldwork questionnaire to be filled by the ANSP
- Tool 6 - Template for documenting the Preliminary Risk Assessment and Sampling

### Execution

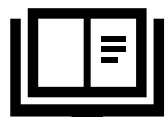
- Tool 5 - Template table for the verification of investment costs
- Tool 7 - Operational checklist (Verification Programme in excel format)

### Conclusion and Reporting

- Tool 4 - Template for the Factual Findings Report prepared by the NSAS following the verification (in Excel)



# Overview of the milestones and deliverables



## Training Material

- ▶ Reflects the structure and references of the Verification Programme;
- ▶ Easy to trace and follow each procedure to be performed as per the Verification Programme;
- ▶ Both deliverables are meant to be read in conjunction with each other;
- ▶ It aims to explain to the end users the rationale behind each procedure mentioned in the Verification Programme.

### *B.2.3 Verification of allocations*

1. According to the Service Provision Regulation, cross-subsidy is not allowed between en-route and terminal charges and costs that pertain to both terminal services and en-route services shall be allocated in a proportional way between en-route services and terminal services on the basis of a transparent methodology. This is the legal basis supporting the below described procedures. The NSA is responsible to check that the ANSP complies with this principle.
2. Obtain the description for the allocation process the ANSP has in place and validate the overall allocation model logic. It should be validated against the following best practices and guidance:
  - a. Causality: Most important principle related to cost allocations, all cost allocation model should be principally based on the concept of causality. It means that the cost allocated from a certain source are allocated to (all but only) destinations that “consume” that source based on a driver/allocation key that reflect best the proportion of source cost consumed by each of the destinations.



# Overview of the milestones and deliverables



## Coaching Programme

- ▶ Coaching sessions period: 26 August -17 September
- ▶ Number of sessions delivered: 10
- ▶ Total number of:
  - ▶ Participants = 56
  - ▶ participating NSAs = 24
- ▶ Remotely performed, via Zoom
- ▶ EY team:
  - ▶ EC Assurance
  - ▶ Consulting - Finance
  - ▶ Transaction Advisory Services
  - ▶ Financial Accounting Advisory Services



## Assistance Period

- ▶ Assistance period: starting August 2020
- ▶ Contact: [ey.move@be.ey.com](mailto:ey.move@be.ey.com)
  - ▶ Calls,
  - ▶ Conference calls with other NSAs that share the same questions,
  - ▶ Meetings with all the team members, etc.
- ▶ Issues related:
  - ▶ to the developed deliverables, or
  - ▶ practical questions and cases.
- ▶ EY team:
  - ▶ EC Assurance
  - ▶ Consulting - Finance
  - ▶ Transaction Advisory Services
  - ▶ Financial Accounting Advisory Services

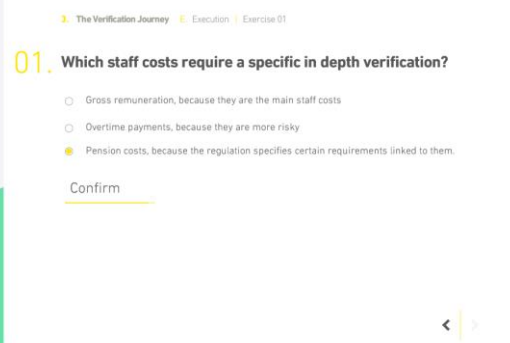
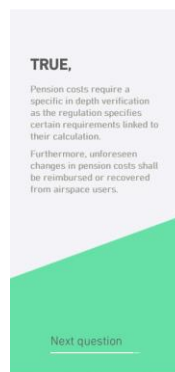


# Overview of the milestones and deliverables



## e- Learning Module

- ▶ Module developed for NSAs staff
- ▶ Accessible online
- ▶ User-friendly
- ▶ Didactic and well structured
- ▶ Exercises in the form of tests (with explanation)
- ▶ Basis of this module are:
  - ▶ Verification Programme and
  - ▶ Training Material
- ▶ Finalised: November 2020



### CONTENT OF THE MODULE

- I. General introduction
- II. The verification process materials
- III. The Verification Journey
- IV. Wrap-up

click on the titles to start the chapter



- 2. The verification process materials
- 4. Introduction to the main documents and their objectives

### OVERVIEW OF THE TWO DOCUMENTS

Before you going further into the details on the verification process, it is important to familiarise yourself with the two main documents that you will be consulting while performing the cost-eligibility verifications.



To consult the complete document, click here.



To consult the complete document, click here.



# Overview of the milestones and deliverables

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## Monitoring Process for EC

- ▶ Assists the EC in gathering information from the NSAs on their performed cost eligibility verifications.
- ▶ Consists of two parts:
  - ▶ A questionnaire sent out to the NSAs
  - ▶ A dashboard (excel tool) that will gather NSAs detailed cost verification data for benchmarking and desk review from the EC side