

FINANCIAL CONTROL AND AUDIT

Extracts – Sections B5, C1-C4 and D1



REGIONAL OPERATIONAL PROGRAMME 2007-2013



Draft

BACKGROUND IMPLEMENTATION MANUAL

WARNING

This document is not a definitive implementation manual for the ROP 2007-2013.

It is intended only as a basis for producing that manual once the ROP itself is further advanced and key decisions have been made about its implementation. It also aims to anticipate likely changes in the new Structural Funds regulations for 2007-2013, but will need to be revisited once these regulations are approved.

The document has been produced almost entirely using existing Structural Fund guidance from EU Member States, as well as adapting certain Phare ESC EDIS procedures.

Colour coding

Blue titles = titles to each section

Blue text = key differences between Phare ESC and Structural Funds

Blue highlight = items specific to ROP, as opposed to other SOPs

Yellow highlight = items requiring particular edit attention

Red font = new text proposed by Twinning experts

FOREWORD

Aim of this manual

The main purpose of this Background Implementation Manual is to provide a first step in defining those principles, guidelines and procedures needed to fully implement Romania's Regional Operational Programme (ROP) both at national and regional levels.

The Background Implementation Manual has been collated deliberately using existing materials as far as possible, comprising: commitments entered into under the Chapter 21 negotiations; Structural Funds guidance from EU Member States (UK, France, Poland, Hungary so far); as well as the EDIS manuals prepared for Phare ESC in Romania. Wherever possible, these materials have been edited in an attempt to meet the regulatory and practical implementation needs of the ROP in Romania post 2007.

At this stage, many essential aspects are missing – a precise agreement on certification and payment flows for Structural Funds in Romania, for example, will be essential in defining the real Implementation Manual for the ROP, as will a clear national/regional designation of tasks for project appraisal, selection and contracting under the ROP.

Nevertheless, in the short term, this document could make an important contribution to planning, recruitment and training in the future ROP Managing Authority and Intermediate Bodies, as well as to the development of job descriptions and internal procedures for Structural Funds programme implementation.

It should be noted that the Background Implementation Manual is intended only to assist the implementation phase from 1 January 2007, not the programming/development stage of the ROP itself.

March 2005

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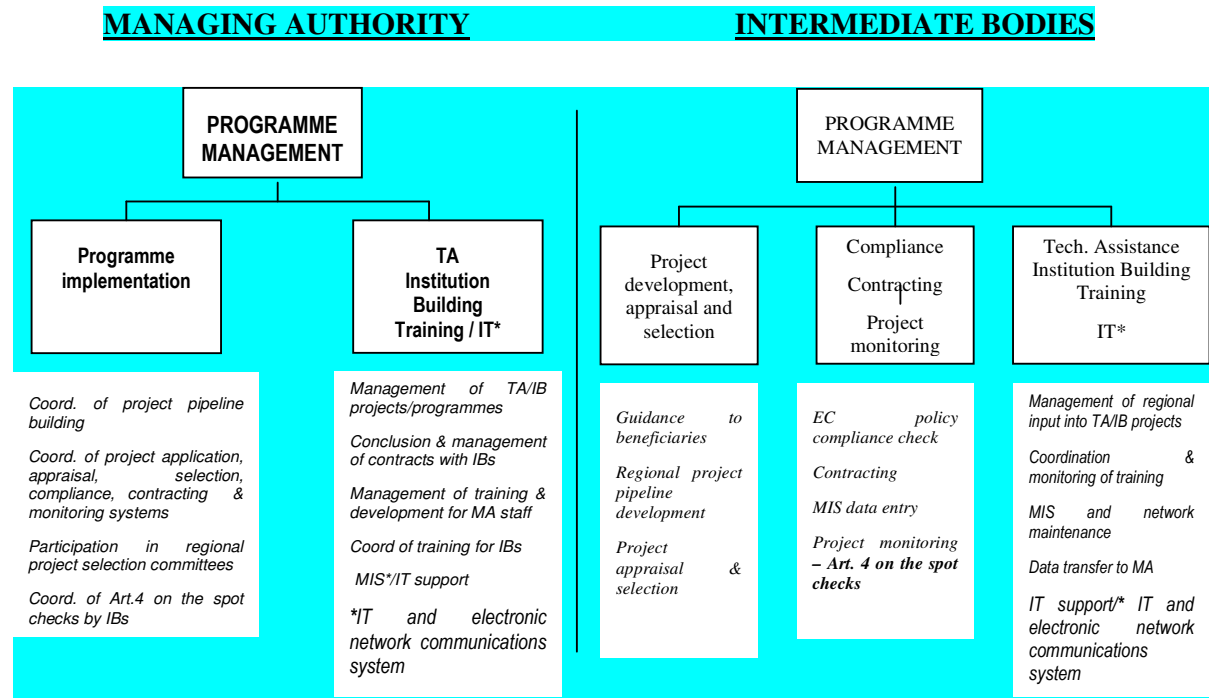
LIST OF REGULATIONS

Key to abbreviations of main bodies involved

AA	= Audit Authority (for the ROP)
CA	= Certification Authority
CB	= Competent Body (for payments)
CC	= Competition Council
IB	= Intermediate Body
MA	= Managing Authority
MEWM	= Ministry of Environment and Waters Management
MPF	= Ministry of Public Finance
NAEO	= National Agency for Equal Opportunities

B) MANAGEMENT OF PROGRAMME IMPLEMENTATION

Part B of the manual concerns the Directorates and Units of the Managing Authority and Intermediate Bodies with the task of Programme Management. These are the ‘engine rooms’ of the OP implementation system.



Whilst the Managing Authority has the role of coordination of the entire system of project development, project appraisal and monitoring across the programme, the Intermediate Bodies will carry out the bulk of the work at project level and will have a high degree of interface with applicants and final beneficiaries.

A key task of these Directorates is the development and management of the MIS system for the programme. The MIS is crucial to the functioning of the entire implementation system and is addressed under a separate users’ manual.

Personnel management and training coordination is another key attribution of these Directorates, which is also to be guided by a separate manual.

Certain horizontal functions described here, such as compliance with State Aids, Public Procurement and Publicity rules, as well as integration of Environmental Protection and Equal Opportunities policies are also carried through into the programme level reporting process described under Part A of the manual.

B.5. PROJECT MONITORING (Including ‘Article 4’ checks)

Key differences between Structural Funds and Phare requirements

Project monitoring under Structural Funds is similar to that carried out under Phare ESC. Many of the procedures proposed in this section of the manual are adapted from the Phare EDIS procedures. The key difference under Structural Funds is the more structured approach referring back to the financial regulations, including thorough on-the-spot checks conducted on a sampling basis. There is also a stronger relationship between project monitoring and the monitoring of progress on the programme overall and the certification of programme-level expenditure.

B.5.1. Project monitoring from beneficiaries’ progress reports

B.5.1 (i) Description and general principles

The dictionary definition of ‘to monitor’ is ‘to observe or record the activity or performance of someone or something’. In the context of Structural Funds, project monitoring can be defined as a continual and systematic process of collecting and analysing data to measure the progress being made, or lack thereof, by a project in relation to its planned activity (as approved in the offer letter). In addition, monitoring of projects supported by ERDF means making sure that the project physically exists and has the records in place to verify the information stated in the offer letter and claims / progress reports.

Why do we monitor?

Monitoring is an integral component of effective European Structural Funds Programme and project management, and if properly conducted can significantly enhance the outcomes of a project and ultimately the programme.

At the top level, we monitor projects quite simply as it is a requirement of the EU Structural Fund Regulations. This requirement is set out in the following Commission Regulations:

- **Commission Regulation (EC) No 438/2001** of 2 March 2001 which lays down detailed rules for the implementation of **Council Regulation (EC) No 1260/1999** as regards the management and control systems for assistance granted under the Structural Funds. Article 4 of the Commission Regulation (EC) No 438/2001 deals specifically with the requirement of proof of existence or on-site monitoring visits.
- **Commission Regulation (EC) No 2355/2002** of 27 December 2002 amending Commission Regulation (EC) No 438/2001.

At a practical level, the purpose of project monitoring is four fold:

- to check that grant is used for the purposes for which it is made available and that terms and conditions of grant are complied with.

- to ensure that grant is paid when it is clear that a claim meets the terms set out in the offer letter and that the project is proceeding and can be expected to proceed according to plan.
- to ensure that grant is paid only on defrayed eligible expenditure where there is a clear audit trail to the final recipient.
- to deal with projects which fail to meet agreed objectives.

Furthermore, monitoring also provides the opportunity to

- identify problems as early on as possible and make suggestions for improvement
- identify successful elements of the project for possible use in publicity efforts & to share best practice.
- develop understanding between the Project officer and applicants on the nature of each other's work.

B.5.1 (ii) Guidelines and operational issues arising

Monitoring means keeping track of the progress being made by a project in relation to its planned activity. This is primarily done by examining the information collected through payment claims/ progress reports. In addition, all projects supported by ERDF are subject to on-site monitoring visits - Article 4 monitoring checks (see next section) to make sure that the project physically exists and they have the records to verify the information provided in the claims/ progress reports.

Progress reports should be submitted by beneficiaries at least quarterly, although the offer letter may set a shorter period or may allow the Intermediate Body to adjust the period with the agreement of the applicant.

Keeping track of the project: monitoring Payment Claims/ Progress Reports

1. Remember that with **ERDF** supported projects you need to ensure that the project keeps to the plan as approved in the offer letter. The offer letter sets out the detailed terms and conditions under which the offer is made. An integral part of the offer is the information supplied in the application and in subsequent correspondence with the Department. Monitoring must therefore take account of all the information provided by the applicant during appraisal, particularly when considering project achievements, timing and viability.
2. All projects will need to be checked to ensure that they comply with the offer letter. The application, subsequent appraisal and the offer letter will have set the targets and milestones of each project. Monitoring should be sufficiently detailed to ensure that anticipated targets are met, that attainments are recorded in a way, which will allow overall progress of Programmes to be assessed and to provide overall reassurance that applicants are providing an accurate report of the outputs and results achieved.
3. Data on progress will generally be obtained through progress reports received with claims. It is good practice to set up a diary system (electronic or manual) to ensure that claims and progress reports are received as anticipated. Significant delays should be pursued with applicant.

4. All claims must include (on the claim form) a fully completed progress report that sets out the outturn to date and forecasts for expenditure and outputs. Differences should be explained when they occur. Reports on progress are also required if a claim was due, but is not made. Final claims must include a narrative that describes both quantitative and qualitative aspects and also identifies linkages to other projects. Claimants will need to state whether targets have been met, and assess whether initial targets were realistic, and provide any other explanation for shortfall or excess. Where outputs are still to be attained after the final claim, applicants should be asked to provide regular reports on progress, if this is not already required under the offer letter.
5. All claims received should be subject to a series of checks to determine the validity of the claim. These checks should typically include the following:
 - Offer letter acceptance
 - Special requirements or conditions are being met
 - Project objectives are being met – review of narrative report supplied in claim
 - Financial progress reviewed and in line with expectations. Also check for any changes in type of expenditure or sources of funds.
 - Physical progress reviewed and in line with expectations. Additionally check if the outputs and results look reasonable in relation to the project expenditure
 - ERDF publicity acknowledged
 - Procurement/ tendering declaration supplied¹
 - Claims submitted as per agreed schedule, correctly completed and signed
 - Slippage, over/under spending reviewed and investigated
 - Bank account details have been submitted and are correct
 - Independent external auditor's report is enclosed with the final claim for all private sector projects receiving more than €20,000 grant and public sector projects receiving €50,000. Annual auditor's report is enclosed as per schedule where the grant offered is more than €250,000.

Other checks may be undertaken on a case by case basis. Non-compliance with the terms and conditions set out in the offer letter should be dealt with in accordance with procedures set down by the Managing Authority.

Particular attention should also be paid to project expenditure profiles and output achievement. Significant deviation from the agreed expenditure and output profiles should be addressed as per slippage procedures adopted by the Managing Authority.

Who monitors?

The Structural Funds Service Level Contract between the Managing Authority and the Intermediate Body in each RDA will require each region to produce a monitoring and inspection strategy. The monitoring and inspection strategy, which is approved by the Programme Monitoring Committee (PMC), will explicitly state the roles and responsibilities of personnel involved in monitoring the Programme in the region.

It is for the Intermediate Bodies working within delegated responsibilities to determine the level at which monitoring and its associated steps are authorised and in what circumstances the officers involved should refer projects to higher authority. The grade of the officers undertaking the work should be determined by the scale, complexity and risk of each project, and the staff resources

¹ The offer letter briefly sets out the various procurement regulations applicants must comply with. These cover public works (Directive 93/37/EEC amended by Directive 97/52/EC), public supplies (Directive 77/62/EEC amended by Directive 93/36 EC and 97/52/EC), public services (Directive 92/50, as amended by Directive 97/52/EC) and utilities (Directive 90/531/EEC).

available. Where different individuals are involved in different parts of the monitoring process, there should be clear co-ordination between them to ensure that relevant information is passed across.

Separation of functions

In principle there should be separation of duties between those responsible for different aspects of the provision of assistance to safeguard against the possibility of personal involvement in a project or of fraud.

The management and control system must ensure that there is an adequate separation of functions. Officers involved in project monitoring, where this leads to authorising payments to a project, must be different from those who approved the grant and ideally be different from those involved in any of the earlier stages of work.

B.5.1 (iii) Procedures

DRAFT ADAPTED FROM PHARE EDIS PROCEDURES

Monitoring project Progress Reports

Step	Action	Documentary Output
MP1	<p>IB records in the MIS system each new contract approved and all its relevant details:</p> <ul style="list-style-type: none"> ▪ identification data (contracting parties, code, title, current status); ▪ general data (project timeframe, project location, project typology, other classifications, percent of public funds awarded); ▪ financial data (amounts allocated from each source for financing the contract); ▪ monitoring indicators (target values); ▪ foreseen procurement activities (identification of procurement subject, budget value, type of contract and type of procedure to be used); ▪ in-kind contribution, if any submitted at the start of the project (brief description, value, correlation with the budget of the project). <p>The procedure is detailed in MIS-UM.</p>	MIS entry
MP2	<p>IB organises Training Seminar for Final Beneficiaries on Procurement and Reporting Procedures. Within 15 days from the signature of grant contracts for each grant scheme, IB shall organise a Training Seminar with all Final Beneficiaries in order to illustrate to them the procurement and reporting procedures. Participation of Final Beneficiaries shall be free of charge and compulsory (except those who have already participated).</p>	<p>Invitation letter</p> <p>Agenda</p> <p>List of Final Beneficiaries previously participating</p>
MP3	<p>Final Beneficiary takes part in the training seminar</p>	Attendance list
MP4	<p>Final Beneficiaries are to submit technical and financial reports as a single Progress Report to IB as per Template, which is annexed to the contract, by the deadlines laid down in the contract.</p> <p>The term Progress Reports embraces:</p> <ul style="list-style-type: none"> ▪ Quarterly report(s) – to be submitted every three months from the starting date of the project activities Quarterly reports are to be delivered within five days of the end of the quarter. ▪ Interim report(s) – (if requested by grant contract) -to be submitted whenever a request for interim payment is done (interim reports are to coincide with quarterly reports, unless there is a clear reason for another 	Beneficiary technical report

	<p>treatment). Where quarterly and interim deadlines coincide, the requirements for quarterly report takes precedence.</p> <p>Final Reports are to be submitted within three months from the end of the period of execution of the project</p> <p>These reports are to include technical and financial indicators.</p>	
MP5	<p>When reports are not submitted on schedule, IB sends a reminder to the beneficiary notifying them of their failure to submit a report on time. The communication specifies a time limit of 7 days for submission of the report and asks the beneficiary to contact the IB and give reasons if this is not possible.</p>	Reminder letter
MP6	<p>IB reviews the Progress Reports submitted by grant beneficiaries for internal consistency and compliance with reporting of indicators specified:</p> <ul style="list-style-type: none"> ▪ Checking the grant beneficiaries technical and financial reports including the accuracy, legality and reality of the documents attached to the reports; ▪ Verifying if the activities performed by the grant beneficiaries during the reporting period comply with the activities approved in the grant contract; ▪ Checking the eligibility of the expenditure made by the beneficiaries, the conformity of the expenditure with the relevant EU and national rules as well as with the provision of the grant contract. <p>In all cases when IB detects that the project is not progressing according to schedule and any other contractual provision, a contact with grant beneficiary shall be made in writing and a special visit planned. The procedures for the visit are set out in the next section.</p> <p>Where the Reports are correct and compliant, as per checklist, proceed to MP8.</p>	<p>Internal IB memo recommending on-site visit and letter to beneficiary (if necessary)</p> <p>Completed Report Checklist in IB</p>
MP7	<p>Where the report does not contain all the necessary information or where there are internal inconsistencies, the IB requests clarifications from the beneficiary with a letter explaining each defect. The letter specifies a contact person in the IB to provide assistance. A time limit of 5 days will be given for the receipt of clarification.</p> <p>Once a revised Report is received from the beneficiary, repeat MP6.</p>	Letter requesting clarification
MP8	<p>IB records technical and financial information into MIS:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Record in the MIS system the new beneficiary's Progress Report. The procedure is detailed in MIS-UM. <input type="checkbox"/> Update within the MIS system, the data related to progress of implementation of the project the new report refers to: <input type="checkbox"/> monitoring indicators (achieved values); <input type="checkbox"/> procurement activities (identification of procurement subject, budget value, type of contract and type of procedure to be used); <input type="checkbox"/> in-kind contribution (brief description, value, correlation with the budget of the project). <p>The procedure is detailed in MIS-UM.</p> <p>When expenditures have been partially validated:</p> <ul style="list-style-type: none"> <input type="checkbox"/> data has been compared to the supporting documents; <input type="checkbox"/> eligibility has been checked; <input type="checkbox"/> appropriate classification within the budget headings has been checked; <input type="checkbox"/> exchange rates used by the beneficiary have been checked; <input type="checkbox"/> and corrections have been applied according to the results of the above checks, then: <input type="checkbox"/> Record in the MIS system the sums of the expenditures at the level of each 	MIS entry

	<p>budget heading. The procedure is detailed in MIS-UM.</p> <p><input type="checkbox"/> After all expenditures, partially validated, are recorded in the MIS system, check if expenditures are within the limits established by the budget of the project. For this purpose, open the report “Budget vs. expenditures”, available in the list of reports associated to the current form.</p> <p><input type="checkbox"/> If the report “Budget vs. expenditures” shows that expenditures are over the amount allocated by the budget (eventually revised within the allowed limits), for at least one budget heading, then proceed to the invalidation of certain expenditures, in order to limit them to the allocated amounts. Repeat the previous two steps, making the appropriate corrections, until expenditures are within the limits established by the budget of the project.</p>	
MP9	<p>If there is an addendum to the project contract, IB records the details of the addendum into MIS, as in procedure M7:</p> <p><input type="checkbox"/> Record in the MIS system the new addendum. The procedure is detailed in MIS-UM.</p> <p><input type="checkbox"/> Update within the MIS system, the corresponding contract, according to the changes provided by the new addendum. The procedure is detailed in MIS-UM.</p>	MIS entry
MP10	<p>Where irregularities are demonstrated through either continued non-compliance in submitting a report or through demonstration at a site visit (see next section), the IB notifies the MA, who refers the matter to the Irregularities Officer. The letter is copied to the beneficiary.</p> <p>IB updates information related to the irregularity into MIS:</p> <p><input type="checkbox"/> Update within the MIS system the new information related to the irregularity. The procedure is detailed in MIS-UM.</p> <p><input type="checkbox"/> If the effects of the irregularity have been corrected and there is no longer any unsolved problem related to that irregularity, then mark the status of the irregularity as “closed”.</p>	<p>Letter to MA</p> <p>Memo to Irregularities officer</p> <p>MIS update</p>
MP11	<p>When each Report is checked and deemed correct and compliant, then:</p> <p><input type="checkbox"/> IB Monitoring Officer approves the Report</p> <p><input type="checkbox"/> Records in the MIS system the approval by IB of the report (if the current progress report is the final report of the project, then update within the MIS system the status of the ended contract)</p> <p><input type="checkbox"/> Sends recommendation for payment of the corresponding claim to the Financial Control department, for onward transmission to the MA.</p> <p>.</p>	<p>Approval of Report</p> <p>MIS entry</p> <p>Recommendation for payment of claim</p>
M12	<p>Data relating to payment claims are validated by MA, for onward transmission to the Competent Body (see later section on Financial Control/Payments).</p> <p><input type="checkbox"/></p>	<p>MIS entry</p> <p>MA payment request to Competent Body</p>

B.5.1 (iv) Operational materials (outline tables , forms etc.)

A template for the Progress Reports to be supplied by project beneficiaries is set out in the following pages.

Template for Beneficiary Project Progress Report

(TEMPLATE) PROGRESS REPORT

(to be submitted by grant beneficiary to IB)

Reporting period from _____ to _____

Report ☐ Quarterly
☐ Interim
☐ Final
submitted to IB _____

PROJECT DETAILS

Project Title _____

Project Localisation ☐ URBAN ☐ RURAL ☐ NOT GEOGRAPHICALLY DELIMITED

Effect on the environment ☐ Main focus ☐ Friendly ☐ Neutral

Sector and Project Typology (to be selected from the list provided by the Measurement Performance Grid)

Contract code MIS _____

Grant Scheme _____

Budget line _____

REPORT DETAILS

Date of Contract signature _____

Starting date of period of execution of the project _____

Ending date of period of execution of the project _____

BENEFICIARY DETAILS

Beneficiary _____

Address (street, number, post code, village, town, county) _____

Tel. _____ Fax _____ E-mail _____

Project Administrator (name) _____
Legal Representative (name) (other than the Project Administration, if applicable)

I. PROJECT PERFORMANCE AND PROGRESS

I.1. SUMMARY OF PROJECT PROGRESS (MAX 5 LINES)

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Is project implementation progressing in accordance with the approved contract? ☐ YES ☐ NO

If *YES*, please provide details of current project status.

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If *NO*, Please select the appropriate reasons from the list below and use the text box to provide further explanation.

Reasons	Explanations
<ul style="list-style-type: none"><input type="checkbox"/> Natural Causes – e.g. regional flooding, gales, hazardous conditions etc.<input type="checkbox"/> Difficulties with Contractors<input type="checkbox"/> Financial Issues<input type="checkbox"/> Demand failing to meet expectations<input type="checkbox"/> Legal and Statutory Issues<input type="checkbox"/> Local economic factors e.g. prosperous or established employer closed/insolvent<input type="checkbox"/> Staffing Issues<input type="checkbox"/> Underestimation of project timetable e.g. implementation of sequential contracts<input type="checkbox"/> Unexpected factors hindering progress of work e.g. site conditions, environmental issues<input type="checkbox"/> Other	

I.2 OBJECTIVES FROM LOGFRAME MATRIX

General Objectives	Impact target value
Specific Objectives	Original Approved Output Target Original Approved Result Target

I.3 PROJECT OUTPUTS ACHIEVEMENTS

Performance Indicator		Revised Approved Target (1)	Total reported Achievements in previous Reports (2)	Achievements during current Report period (3)	Total achievement s to date (4)=(2)+(3)	Deviation (±%) (5)=(1)-(4)
name	U.M					

I.4 PROJECT RESULTS ACHIEVEMENTS

Performance Indicator		Revised Approved Target (1)	Total reported Achievements in previous Reports (2)	Achievements during current Report period (3)	Total achievement s to date (4)=(2)+(3)	Deviation (±%) (5)=(1)-(4)
name	U.M					

I.5 PLEASE USE THIS BOX TO EXPLAIN AND JUSTIFY ANY VARIANCES IN ACTUAL PERFORMANCE FROM ANTICIPATED/ APPROVED PERFORMANCE AS INDICATED ABOVE.

I.6 PROCEDURAL PROGRESS

Project total amount: _____ Eur of which: _____ non-tendered expenditure and/or procured with a single offer
_____ tendered expenditure

Type of contract ²	Task name ³	Foreseen start date	Foreseen end date	Actual status	On schedule? (yes/not)	Reasons and proposes solutions
						Insert list of reasons

I.7 REASONS FOR PROCUREMENT DELAY

Reasons	Explanations
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² One or more entries to be selected from a list (e.g. service contracts, simplified procedure)

³ One or more entries to be selected from a list correlated to 'Type of contract'

- ☐ No offers received
- ☐ Grant beneficiary does not have co-financing funds available
- ☐ Grant beneficiary had no time for preparing the procurement file
- ☐ Grant beneficiary did not find suitable suppliers of EU/Phare nationality and had to ask for derogation
- ☐ Not selected suppliers/service providers made a claim on the results of the award procedure
- ☐ Other

I.8 INFORMATION ON PROCUREMENT PROCEDURES⁴

Evidence of expenditures in the reporting period (see III.1. Financial Report- insert no. of budget line + name of budget line)	Type of purchase (services, supplies, works)	Description of expenditures	Amount of eligible expenditures	Type of procurement procedure

I.9 ACTIVITIES IN THE REPORTING PERIOD

Activities/subactivities ⁵ implemented/carried out in the reporting period before the	Activity schedule as planned	Status of activities	Stage of implementation	Explanation of solutions proposed to reduce delays
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⁴ carried out in the reporting period

⁵ Also enter all contracts let for services, procurement and works – number and value of each contract and procedure followed, including actions agreed from last monitoring visit report (if it exists).

planned date	Start	End	as per reporting date ⁶	n ⁷	(as appropriate)

I.10 CONTRACT ADDENDA

Nr. Contract Addenda	Explain the implications of Contract Addendum(s) from a technical point of view

II. PUBLICITY REQUIREMENTS

a. Which of the following actions have been taken to publicise the ERDF support to the project?

⁶ Realised, being realised, non realised

⁷ On schedule, anticipated, delayed

- ☐ Prominent site signage
- ☐ Permanent plaque on the premises
- ☐ Specific press and media releases
- ☐ Acknowledgement in all media releases
- ☐ Acknowledgement in all project documentation
- ☐ Other (please specify below)

b. Was publicity made in compliance with the Manual of Visual Identity? ☐ Yes ☐ No

Describe below the specific actions taken and enclose copies of all relevant publicity material relating to this reporting period.

c. Have you previously supplied examples of acknowledgements and publicity materials associated with the project?

☐ Yes ☐ No

- ☐ Prominent site signage
- ☐ Permanent plaque on the premises
- ☐ Specific press and media releases
- ☐ Acknowledgement in all media releases
- ☐ Acknowledgement in all Project Documentation
- ☐ Other (please specify)

III. Problems met by grant beneficiary during project implementation

In connection with:	Description	Recommendations for Improvement
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<input type="checkbox"/> Technical reporting		
<input type="checkbox"/> Financial reporting		
<input type="checkbox"/> Payment requests		
<input type="checkbox"/> Procurement		
<input type="checkbox"/> Relationship with Intermediate Body		
<input type="checkbox"/> Relationship with partners		
<input type="checkbox"/> Relationship with clients/suppliers		
<input type="checkbox"/> Other		

Signature of Legal Representative

Second Signatory (generally Economic Director)

Date

Date

CERTIFICATION BY GRANT BENEFICIARY

To be signed by Legal Representative of the Grant Beneficiary

Project Title	
Perseus Code	

I certify that to the best of my knowledge the information contained in this Report is correct. I confirm that this project is being carried out as described in the approved Contract .

I confirm that this organisation is undertaking regular monitoring of the project to ensure it conforms with the European Structural Funds Regulations and the approved Contract and that adequate management and financial safeguards exist.

I will inform the Intermediary Body and the Managing Authority immediately of any significant changes to the project.

I acknowledge that this project is subject to regular monitoring and adequate records are being kept for this purpose. I also acknowledge that the European Commission, the European Court of Auditors, the Managing Authority and the Romanian Court of Auditors may carry out on-the-spot checks. Financial vouchers and other records will be retained to enable verification and audit.

I undertake to repay on demand to the Competent Body any grant paid if the European Commission, the European Court of Auditors, the Managing Authority or the Romanian Court of Auditors decides after investigation that the project has not been carried out in accordance with the approved Contract and the appropriate Regulations.

Grant Beneficiary Name	
Name of Legal Representative	
Position in Organisation	
Address	

Signature of Legal Representative (in BLUE INK)	
Date	

FOR INTERMEDIATE BODY USE ONLY

Received by IB	Returned/ Queried	Resubmitted/ Cleared	Checked by	Authorised by	Payment claim sent to MA
Date Signature	Date Signature	Date Signature	Date Signature	Date Signature	Date Signature

B.5.2 Project monitoring visits (‘Article 4’ on the spot checks)

B.5.2 (i) Description and general principles

In addition to monitoring through the beneficiaries’ Progress Reports, on-site project monitoring visits are needed to a sample of projects are used to verify the information provided by the Final Beneficiaries, to check the physical existence of the project, to collect more detailed data than is available from the payment claims reports, to enable a thorough check of progress against targets and to check that the applicant is providing accurate information.

The on-site visits correspond to the checks required under Article 4 of Commission Regulation 438/2001 [to update], which specifies that programme management and control systems must include procedures:

- a) to verify the delivery of products and services funded by ERDF (i.e. projects and schemes).
- b) to verify the eligibility of expenditure (projects should provide lists of the transactions that make up a claim in enough detail to verify that what is being claimed is eligible expenditure).
- c) to ensure compliance with the terms of the Commission’s decision approving the Operational Programme and any subsequent modifying decisions.
- d) to ensure compliance with applicable Community rules, in particular, eligibility of expenditure under assistance concerned, public procurement, state aid, protection of environment and equality of opportunity.

The procedures must include the recording of verifications of individual operations on the spot. The records must state the work done, the results of the verification and the measures taken in respect of discrepancies.

Monitoring visits can also be used to identify possible problems as early on as possible and make suggestions for improvement measures, as well as to identify successful elements of the project for possible use in programme publicity efforts.

As a general rule, all projects should be visited at least once during their lifetime, possibly more often for complex or particularly risky projects.

B.5.2 (ii) Guidelines and operational issues

Separation of functions

In order to ensure a clear division of responsibilities it would be inappropriate for project monitoring visits and independent audit inspections to be carried out by the same team. Project monitoring checks should not be carried out by anyone involved in the appraisal of that particular project.

The best time to monitor a project

The project should have commenced. The monitoring checks should not be at such an early stage that there are no or few records to check. It should not be at such a late stage that if records are poor, it is too late to put right.

Projects that are complete

For projects that have closed (final payment made), project officers should examine the records of the project – these records have to be kept by the applicant for at least 3 years after the final 'programme' payment from the Commission. Projects should seek the permission of the relevant IB before any files are destroyed.

Risk Assessment

Risk assessment is a useful tool for determining the frequency and intensity of monitoring that a project undergoes. Typically, high risk projects should be subject to more vigorous monitoring and low risk projects need only be visited once. This document provides guidelines for assessing the risk level of a project and sets out the recommended monitoring requirements for each level of risk.

The two parameters that determine project risk are:

- Project management and delivery
- Degree of Complexity

Projects should be scored on their management and delivery aspects as per the following criteria:

Criteria	Score		
	1	2	3
Financial scale – size of grant	€5m to €10 m	€1m to €5 m	< €1 m
Applicant Track record & experience	Poor	Average or No history	Good
Spend slippage – actual expenditure is less than contracted expenditure	>10%	>0% but <10%	0% or exceeding spend profile
Physical slippage – actual outputs & results are less than contracted outputs & results	>10%	>0% but <10%	0% or exceeding targets

As per this table, a project can get a minimum score of 4 and a maximum score of 12. A low score implies that a project's management and delivery mechanisms need attention.

Overall grade on management and delivery:

Score	Grade
4 - 6	C
7 - 9	B
10 - 12	A

Table for scoring a project on degree of Complexity:

Criteria	Score	
	1	2
Number of Measures under which the Project has applied for funding	> 5	< 5
Strategic Importance of Project	High	Low / Medium
Project spans across Core & Transitional areas	Yes	No
Project has both ERDF & ESF funding	Yes	No
Some of the project activities are ineligible for funding	Yes	No
Main expenditure type	Revenue	Capital
State Aid issues	Yes	No
An Action Plan	Yes	No
Possible duplication of activities with other ERDF/ESF Projects	Yes	No

As per this table a project can get a minimum score of 9 and a maximum score of 18. The lower the score, the greater the complexity and vice versa

Overall grade on degree of complexity

Score	Grade
9 - 12	C
13 - 15	B
16 - 18	A

Project Delivery	Degree of complexity		
	A	B	C
A	Low	Low	Medium
B	Low	Medium	High
C	Medium	High	High

Frequency of monitoring visits

It is recommended that high risk projects be subject to more intensive and frequent monitoring visits than low risk projects. The following table sets out the suggested frequency of monitoring visits.

Risk Level	Recommended Monitoring Visits*
High (H)	One visit each year throughout the lifetime of the project (apart from the year of the inspection visit, to avoid any duplication)
Medium (M)	Two visits in the lifetime of the project
Low (L)	One visit in the lifetime of the project

Frequency of risk assessment

Project Officers need to recognize that risk assessment is not a one-off exercise. Through its lifetime a project will move between the three risk bands depending upon its stage of development and circumstances. Therefore, risk assessment should be carried out at the following points:

- Immediately after a project has been contracted
- After each monitoring visit
- Any other time, if circumstances so demand

Ingredients for successful project monitoring visits

In order to have successful visits, it is vital that key members of staff involved in the project are available during the monitoring visit. Sometimes the project may involve several locations or the records may be kept at a location other than the project site; in this case visit the project site. The visit should include a detailed check of the applicants' administrative systems. External auditors' certificates will provide a useful contribution towards the collation of this information.

Preparing for the visit

Prior to the meeting, familiarise yourself with the available documentation. As a minimum, you should have copies of the application forms, as well as copies of the offer letter and any correspondence that refers to the project. If it is an external partner or contractor it may be useful to obtain a copy of their most recent annual report and accounts in advance – use your discretion to decide on whether or not to request these. Write down any questions that come to you while you are reading the papers.

The beneficiary should have agreed the date and time of the visit and should have some warning as to what to expect and what paperwork will need to be produced. So they should know that they will be asked to produce original receipts to back up a particular figure. It is a good idea to confirm the monitoring arrangements in writing with the applicant, well in advance.

A sample letter that can be used for arranging a monitoring visit is presented in the section Operational Materials.

Who and what needs to be available on the day of the visit

Personnel

- Personnel who should be available on the day include
- The project manager
- Person(s) responsible for the activity of the project
- Person responsible for general record-keeping for the project
- Person responsible for the financial record-keeping of the organization

Supporting documentation

Some or all of the following should be available

- The project application
- The specification of the project and/or the workplan
- All general record-keeping documentation
- All financial record-keeping documentation
- Written methods of apportionment of staff and overhead costs
- Last set of audited accounts

- Organisation's financial records including salary records
- Last set of management accounts

Carrying out the monitoring visit

1. Begin by finding out about the organization as a whole, or, for very large organisations, the department as a whole. This is necessary because they may be trying to fund non-project activity with EU project funding and you need to be able to judge whether the levels and methods of apportionment are reasonable.
2. Ask which of the staff have been trained in EU funding requirements.
3. Ask about their financial systems and housekeeping. Do they have a simple cash book system, a manual double entry or a computerised system? Is the cash book reconciled with the bank statement on a regular basis? Is the petty cash balanced regularly? Are regular meaningful financial reports produced? Do they have an organised system for filing numbered invoices and receipts? Are these originals, and are they easily retrievable? For larger organisation is it possible to extract information from their complex financial system
4. Do some testing of the general records using your documentation checklist
5. Check that the project has systems in place for financial reporting, so that they can monitor expenditure. The systems must be adequate for the needs of EU funding. You must understand their method of apportioning staff time and overhead costs and that this is based on project activity as a proportion of the activity of the organisation as a whole
6. Make sure that they are able to report against the headings in the financial section of the EU application – that is, they have the system set up to do this. It is also important to check that they are clear about exactly what costs they are able to claim – an at what level – and that these are all eligible.
7. Also check that match financing (and revenue income where it cannot be used as match funding) is being provided at the levels agreed in the application. Make sure that any in-kind funding is covering EU eligible costs and that this is properly documented. There will almost certainly be a limit on the level of in-kind match funding that can be used – check this carefully with current Commission regulations.
8. Question them on how the project activity is progressing and whether they are likely to deviate from the plan outlined in the application, partner agreement or contract

Feedback and reporting

You should give the project being monitored verbal feedback on the day itself, and follow up with a letter and written report. The letter and report should be as supportive as possible and should specify any actions which the project must take in order to comply with the Commission regulations and in accordance with the offer letter. You should give them a time-scale in which to bring their records or practices up to standard and ask for confirmation in writing when this has been done.

Monitoring visit timetable

Action	By when	Notes
1.Select a project for a monitoring visit.		This could be for a range of reasons, but is likely to have been discussed in advance with colleagues.
2.Telephone to arrange a date and time to visit	About 2 weeks in advance	Request any directions or other necessary practical information.
3. Send letter to confirm date and time and to confirm areas for discussion and evidence that may be examined.	Within 2 days of phone call	Ensure copy of letter goes on project file and that Project Officer is informed
4. Prepare for the visit using the project file and the database. Start to fill in the pro forma	By the day prior to the visit	Areas with gaps that will need particular discussion may be identified here. Also, areas for potential concern may be raised
5.Complete spreadsheet with timetable of action	By the day prior to the visit	This will flag up what action needs taking by the monitoring officer and by when. Some dates may need adding later.
6.Carry out the visit		Use pro forma and checklist document for taking notes and ensuring that each area – and any particular questions raised in research – are covered. Ensure before leaving that the sponsor is aware of the main areas that may require action.
7.Write up the report	Within 2 days of the visit	Recommendations for action to be taken should be included and be very specific, achievable and with a timescale.
8. Send the report out to the sponsor along with a copy of the Action form to be filled in by the sponsor. Also give a copy of the report to relevant persons within the IB such as the Project Officer.	Within 3 days of the visit	Clear deadline for the sponsor to respond to the recommendations as to how they will be met and by when. Ensure a copy of the monitoring report goes to the Project Officer and is also on the project file
9.Transfer a copy of the recommendations onto the monitoring visits record sheet.	At the same time as 8.	This gives a summary of all recommendations for all projects and tracks the completion of the agreed action.
10.Follow up recommendations	According to agreed timescale	Spreadsheet will assist in this. Will probably need to see subsequent claims.

Dealing with problems or tricky issues

This section highlights some common problems or tricky issues that may come up during an on-site monitoring visit along with practical guidance on what to do if you come across such a situation.

Is this the project we contracted?

One of the key elements we need to establish as part of the monitoring activity is whether the applicant is delivering the project we contracted with and that the applicant is clear about the contractual terms and conditions and the activity that is eligible and approved. Often projects develop during appraisal with ineligible activity being excluded or other activities being modified. Misunderstandings about what the project is or should be can occur when the individuals involved in developing the project move on to new positions, new roles, etc. It is often easy for the applicant to “slip back” to their original project and undertake activities that are ineligible or otherwise inappropriate.

If there is a difference in understanding of what the project is this should be sorted as a matter of urgency. The application and other correspondence on the file should indicate what project we think we have contracted. We can then agree with the applicant what activities are eligible, what activities are ineligible and what activities need to be modified before they can be considered as part of the project. This should all be confirmed, in writing, to the applicant and they should be given adequate time to make any necessary changes. It would be sensible to undertake a follow-up visit soon after the agreed deadline for implementing any necessary changes to ensure the project is now back on course.

Are the contract conditions complied with?

Has the applicant complied with all conditions in the offer letter?

If not, are the conditions still relevant? If the conditions are no longer relevant consideration should be given to issuing an addendum to the contract to remove inappropriate or out-of-date conditions.

If the conditions are still relevant what does the applicant intend to do to comply with the conditions?

Any areas of concern should be confirmed to the applicant in writing and the applicant should be given sufficient time to address such issues. The applicant should be required to provide evidence that the necessary action has been taken and consideration should be given to undertaking a follow-up visit to establish that this is the case.

Is project delivery against contract?

Is the project progressing in accordance with the agreed profile for both spend and outputs/results and are the outputs and results being properly accounted for?

If project progress is falling behind schedule or not delivering at all ask the applicant probing questions such as

- why things are not going according to plan ?
- what has changed since the project was approved ?
- can they still deliver the original project or does it need to change?
- what steps are being taken to make up lost ground ?
- do they need support ?

Encourage the applicant to be realistic in his/her assessment of the situation and try to separate the different issues so that you can deal more easily with each one. Do not accept vague reassurances.

Try to separate the different issues so that you can deal more easily with each one. Agree a re-profiling of the project or a reduction in the size and scope of the project and the corresponding grant, if required.

If the project is ahead of schedule there may be scope to capture more outputs and results or extend the project over a longer period and increase the grant available in return for a corresponding increase in outputs and results.

Outputs definitions correctly understood and applied?

As part of the monitoring activity we should satisfy ourselves that outputs and results are being properly recorded, in accordance with relevant output guidance. Often applicants do not correctly understand the definitions and sign up to outputs and results targets, which they later cannot deliver. At times applicants fail to correctly count the outputs – they either underestimate or double count the outputs they are delivering. In some cases they might be applying the definitions incorrectly and reporting outputs that they are actually not delivering. For instance there is often lack of clarity as regards what constitutes a ‘business assisted’.

Where outputs and results are not being properly applied, recorded or reported we should highlight this issue to the applicant and agree what action they should take to rectify the situation. Consideration should be given to undertaking a follow-up visit to confirm that the necessary action has been taken.

Are adequate records being kept?

Part of the monitoring process is to confirm that adequate records are being kept and that expenditure claimed is eligible. The offer letter details the requirements for keeping documentation and ensuring adequate audit trails exist. During the monitoring visit monitoring officers should select a representative sample of items from recent claims and ask the applicant to demonstrate the audit trail for that item(s). In particular outputs and results reported by the applicant should be backed by proper evidence for instance businesses assisted claimed by the project should be backed by time sheets / invoices from consultants.

If discrepancies are found in record keeping processes these should be confirmed to the applicant in writing stating exactly what they should do in the time available and what will happen to them if they do not comply (e.g. that no further payments will be made and

steps will be taken to recover monies paid to date). The applicant should be given adequate time to address these issues whereupon a follow-up visit should be undertaken to check that the necessary changes have been implemented. In areas of particular concern consideration should be given to referring the project to the audit team who can then decide if a full audit might be appropriate.

Compliance with regulations?

The offer of Structural Funds assistance requires the applicant to comply with various EC regulations covering areas such as:

- Record keeping

Article 36(6) of EC Regulation 1260/99 requires applicants to keep adequate records of all transactions relating to assistance from Structural Funds programmes. Applicants are required to keep such records for a period of three years after the European Commission has made a final payment on the structural funds programme. As part of the monitoring process checks should be undertaken to establish the adequacy of the applicants' record-keeping systems.

In grant schemes, the final recipient's invoices need to be retained and this should be checked. Any areas of concern should be confirmed to the applicant in writing and the applicant should be given sufficient time to address these issues. A follow-up visit should be undertaken to confirm that adequate record-keeping arrangements are now in place.

- b. Public Procurement

The offer letter details the various regulations applicants must comply with. These cover public works (**Directive 93/37/EEC** amended by **Directive 97/52/EC**), public supplies (**Directive 77/62/EEC** amended by **Directive 93/36 EC and 97/52/EC**), public services (**Directive 92/50**, as amended by **Directive 97/52/EC**) and utilities (**Directive 90/531/EEC**).

- c. Publicity

EC regulation 1159/2000 details the commission's publicity requirements. These requirements are summarised in the offer letter. Checks should be made to ensure the applicant is meeting its contractual obligation to publicise structural Funds assistance for a project.

- d. State Aids

What, if any, state aids issues were raised during appraisal.

If the project was approved on the basis of a block exemption or any other approved scheme was the block exemption/ specially approved scheme ever lodged? If so, is there a copy of the block exemption/ specially approved scheme on file? Make sure the applicant understands their ongoing commitments to prepare annual reports, etc.

If the project was approved on the application of de minimis what records is the applicant keeping to ensure, as far as possible, that they are not breaching de minimis aid levels?

Any failure to comply with any of these regulations must be resolved. The applicant should be given an opportunity to suggest how they will comply with the regulations/directives and should supply evidence that demonstrates the necessary changes have been made. Consideration should be given to undertaking a follow-up visit to confirm the necessary changes have been made.

Something about the project not quite right ?

On-site monitoring visits can be tricky as the applicant may try to distract you with free lunch, a tour of the site or meeting with beneficiaries. Do not get side-tracked. Try to be clear and do not accept any excuses for the following:

- Missing documentation
- Invoices for large amounts of money with no clear indication of the value of the product or service
- Absent records (eg “they are with the auditors” or “the administration officer has taken the file home”)
- Key staff are absent and no-one else is able to answer questions
- Unauthorised changes to project activity

Also make sure that the applicant is clear that your visit is not an audit or inspection check. Sometimes the applicant might try to get your approval for using certain accounting methodologies or record keeping practices. Remember you are not a financial expert and are not expected to comment on such issues. If you are not sure, but suspect that something is wrong, then you may decide that a follow up visit by yourself or the audit team is required. Don’t allow applicants to trick you into rubber- stamping their overhead apportionment methodologies or other accounting practices or systems / processes.

Preventing Fraud

If you suspect that fraud is taking place in a project that you have responsibility to monitor, you must immediately seek advice from the MA on what action to take but in the meantime suspend all payments to the project:

B.5.2 (iii) Procedures

DRAFT ADAPTED FROM PHARE EDIS PROCEDURES

Procedures for on-site monitoring visits

Step	Action	Documentary output
V1	<p>The IB shall issue a preliminary plan of the site-visits to be carried out, for each scheme and overall, for each month and each county. Frequency of site-visits carried out by IB shall be as follows:</p> <ul style="list-style-type: none">▪ For public grant beneficiaries, at least once during the lifetime of the project (recommended after the first quarterly or interim report submitted	Plan of site visits

	<p>by grant beneficiary); for grant beneficiaries from the private sector every quarter after submission of the technical and financial reports based on the risk assessment;</p> <ul style="list-style-type: none"> ▪ Mandatory before the final payment; ▪ Once (a year), during the two years after the end of the completion of the project 	
V2	<p>IB agrees with grant beneficiaries the date of site visits and sends a monthly schedule to MA. MA visits 5% of grant beneficiaries and informs the IB of which visits it is to participate in on a monthly basis. This is sent in writing along with the on site visit checklist and gives the beneficiary at least 2 weeks days notice of the visit. The duration of the site-visit is agreed between IB and beneficiary and all details confirmed in writing. IB ensures that reasonable notice is given to grant beneficiary, which allows all relevant people to attend, and that grant beneficiary has full understanding of the site-visit purpose.</p>	<p>Letter to beneficiary</p> <p>On site visit checklist</p>
V3	<p>In preparation for a site-visit, the IB member of staff carrying out the monitoring visit shall:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Read the project file, that shall include the grant contract with all annexes and any subsequent reports and correspondence <input type="checkbox"/> Compare project performance with planned performance and take note of any discrepancies <input type="checkbox"/> Record in the MIS system a fictive new on-site visit report, containing no data, except for the planned date and time for the visit. The procedure is detailed in MIS-UM. <input type="checkbox"/> Contact beneficiary to arrange details of the site-visit. 	<p>Agenda for site visit</p> <p>Initial entry on site visit report</p>
V4	<p>Site-visits carried out by IB together with MA (where specified by MA). The site-visit form is completed by IB qualified staff and reviewed together with grant beneficiary. IB staff also discuss with grant beneficiary any problems, which have arisen, and what the project applicant has actually done to address such problems. Possible improvement and/or corrective action shall be agreed upon and both IB and grant beneficiary sign the site-visit report.</p> <p>MA representatives inform the IB if they are to accompany the IB. In the case of visits on project completion, both MA and IB representatives visit together.</p>	
V5	<p>A copy of the site-visit report shall be sent to both grant beneficiary and MA within 3 calendar days from the date the site-visit took place. If irregularities have been noted, the IB informs the MA.</p> <p>Where MA representatives have accompanied the IB on a monitoring visit, the MA also receives a copy of the site visit report.</p>	<p>On site visit report</p>
V6	<p>IB inputs into MIS information from the site-visit. Or, if it was recorded previously during the planning of the on-site visit, then just fill in the missing data. The procedure is detailed in MIS-UM.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Open the report "Letter informing on the conclusions of site-visit report", available in the list of reports associated to the current form. Print it and send it to the beneficiary. <input type="checkbox"/> Update within the MIS system, the data related to progress of implementation of the project, according to the findings of the on-site visit: <p>The procedure is detailed in MIS-UM.</p>	<p>MIS entry</p> <p>Letter to beneficiary informing of conclusions of the visit</p>

V7	Where corrective action is recommended the beneficiary shall implement this.	
V8	At the end of the agreed timescale, IB will either carry out a further monitoring visit or obtain documentary evidence to check the agreed action has been taken, whichever is more appropriate. Where serious irregularities have arisen, MA will be duly informed. The form of the check will be agreed in the site visit report. This will involve either a documentary check and/or a further site visit. The timescale will be specified in the site visit report.	Documents from beneficiary Site visit report
V9	IB inputs correcting information into MIS in the same procedure as V6.	MIS entry

B.5.1 (iv) Operational materials (outline tables , forms etc.)

The following documents and provided for illustrative purposes:

- ☐ Template letter to beneficiary informing of monitoring visit;
- ☐ List of project documentation required on a site visit
- ☐ On-site monitoring checklist and report (*EDIS inspired*)
- ☐ Template of on-site monitoring visit record (*UK Structural Funds mode*)

Ref:

Dear [Name]

Re: [.....] Operational Programme 2007-2013
[Project name]

Further to my telephone conversation with [you/ your colleague] [today/on the [date]], I am writing to confirm arrangements for the planned monitoring visit in connection with the above project.

As we agreed, the visit will be undertaken on [date], starting at [time], and will be led by [name(s) of monitoring officer(s)].

European Structural Funds regulations require that all grant-aided projects be subject to on-site monitoring visits from time to time. These visits are independent of those carried out by the Finance, Accountability and Compliance Team, which are part of an entirely separate, formal audit process. The purpose of the monitoring visit is to:

- i. satisfy the Managing Authority that the project is proceeding satisfactorily;
- ii. review the adequacy of systems and procedures; and
- iii. ensure that the project is operating in accordance with the terms of the offer letter.

The visit will not be centred around financial claims but there will be a financial examination focused on ensuring a proper audit trail is in place.

Due to the nature of the visit, it would be helpful if the following people are available on the day:

- [Name of Project Manager];
- [Name of Project Administrator];
- [Name of Finance Officer, if applicable];
- [Any other required attendees].

In preparation, I would be grateful if you would please ensure that access to the documents detailed in the attached Annex 1 [attach a list of documents you would like to look at- refer to checklist in section "What to monitor"] is readily available on the day.

The monitoring visit is expected to last most of the [morning/afternoon] and it would be helpful if you or a representative could be available at the start for a brief opening meeting. If necessary, we will also hold an informal feedback session at the end of the visit to discuss preliminary findings; this should again be with you.

Please can you fax me details on how to get to your offices? The number is [fax no.].

I look forward to meeting you and your colleagues on [date]. In the meantime please contact me if you have any queries in respect of the visit.

Yours sincerely,

.....

PROJECT DOCUMENTATION REQUIRED ON A SITE VISIT

Any of these documents may be requested for viewing during a monitoring visit. Not all require to be checked.

	Available	Checked	Unsatisfactory	Comments
PROGRAMME MANAGEMENT DOCUMENTATION				
Grant Contract / Addenda	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Monitoring Information to verify project targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
General Programme Management Documentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Details of any agreed amendments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Time sheets (where appropriate)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
FINANCE				
Accounting records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
List of assets purchased under ERDF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Paid invoices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Bank Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
PUBLICITY RECORDS				
Publicity Material	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
EU logos on procured items	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

EDIS Inspired model

On site visit checklist and report

Date of Visit _____

Monitoring Visit Attendees

Name	Organisation
------	--------------

Development Region _____

Programme component _____

Project Reference _____

Contract code MIS _____

On-site visit checklist and report

SECTION 1

Beneficiary(name): _____

Sector and project typology _____

Phare <insert year> Grant Scheme <insert title> _____

Budget Line <insert budget line> _____

Complete address of the company location (street, nr, post code, village, town, county) _____

Fiscal Code _____

No. Registration at Trade Registry _____

Project manager (name, surname) : _____

Tel. _____ Fax _____ E-mail _____

Type of visit:

- ☐ Interim
- ☐ Special
- ☐ Final

Project title: _____

Project location

(the address where the project is being implemented): _____

Project activity: _____

SECTION 2

Expected Start Date (according to the contract) _____

Actual Start Date (according to reports and findings) _____

Expected Completion Date (according to contract) _____

Anticipated Completion Date (will be completed only if an extension is anticipated/necessary) _____

Total cost of the project (EURO): total cost/public funds/ own contribution
 _____ / _____ / _____

Public contribution (EURO): contracted/paid
 _____ / _____

Own contribution of the beneficiary (EURO): in cash
 _____ / _____

SECTION 3

Expenditure Profile

	<i>Approved application</i>	<i>Claim to Date (insert date)⁸</i>	<i>Final Expected</i>	<i>Difference</i>
<i>Expenditure</i>				

Implications

Actions to be taken

Project Management and Administration (will be presented the ability of the implementation team to manage the project)

Are the systems able to ensure the effective implementation of the project in place as detailed in the application? Detail any alterations.

Partnership

What role has each partner actually played in the implementation of the project?

<i>Partner</i>	<i>Funding only</i>	<i>Direct Activity and Expenditure</i>	<i>Indirect Support</i>	<i>Remarks regarding the partner's implication</i>

Linkages

⁸ If the visit report is previous to the final/interim report, to be inputted the...

In case of special visit: the date is the date of the visit.

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Provide details of how this project has integrated with other publicly funded projects of the beneficiary, how this has benefited the project and what future linkages are planned.

On-site information:

A. Existing buildings(type of the building, area, status)

B. Connections to public utilities(electricity, gas, water, sewerage etc.)

Notes of the (IB or MA) representative concerning the project:

	YES	NO
Is the place of project implementation owned by the beneficiary?		
Is the place of project implementation rented by the beneficiary of the financing? (the period shall be also mentioned)		
Which is the existing number of employees in the project at the moment of the visit? (according with the latest payroll)	Nr.	
Do you consider that the project can be achieved in the remained period? (If NO, the beneficiary shall be notified about how to conclude an ADDENDUM DOCUMENT, in order for the project to be achieved in due time and according the the General Conditions of the grant contract).		
Does the use made of the grant correspond to the approved purpose?		
Did the project implementation comply with all implementation procedures for Structural Funds?(procurement procedures, originating rule)		
Are the place of the project and its implementation way in accordance to the proposed activities?		
Where the advance payments identified?		
Were the payments for the project performed from special accounts of the project? If no, explain the reasons.		

SECTION 4

Up to date evaluation of the project achievements:

Project activities (as contracted)	Degree of achievement	
	Completely	Partially %
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

Progress & Indicators/Targets

--

Purchases subject to procurement

Are the files compliant with the relevant present applicable provisions for Structural Funds?

--

Horizontal Themes

<i>Themes</i>	<i>Key Points of Application</i>	<i>Key Points of Achievement to Date</i>
<i>Equal Opportunities</i>		
<i>Sustainable Development</i>		
<i>Innovation</i>		

SECTION 5

Publicity made for the project :

Has the project fulfilled its commitment to publicise the EU's contribution to this project as detailed in the application? Check the evidence of this.

- ☐ Prominent site signage
- ☐ Permanent plaque on the premises
- ☐ Specific press and media releases
- ☐ Acknowledgement in all media releases
- ☐ Acknowledgement in all project documentation
- ☐ Other (please specify below)

Was publicity made in compliance with the Manual of Visual Identity? ☐ **Yes** ☐ **No**

SECTION 6

Problems which affect the project implementation :

SECTION 7

Conclusions and recommendations concerning this project:

Conclusions

Recommendations

- 1.
- 2.
- 3.

Deadline

**Action Points to be implemented by the beneficiary
(cross reference to a SECTION where appropriate)**

- 1.
- 2.
- 3.

Deadline

Last date for response <insert>

**(IB or MA) Representative
(Signature and stamp):**

**Beneficiary
(Signature and stamp):**

UK Structural Funds model

Template of the monitoring record

Reference Data

Programme	
Date of Visit	
Address of Premises Visited	
Duration of Visit	

Project Details

Project Title	
Reference Number	
Sub-Region	
Priority	
Measure	

Monitoring Record

Date of last monitoring visit	
Pending Actions from previous visits	

Names of Personnel present during Visit

Name	Job Title
	GO monitoring officer
	Project Personnel

Project Timeline

Start Date (offer letter)	
Actual Start Date	
Completion Date (offer letter)	
Anticipated Completion Date	
<u>Reasons for Slippage</u>	
Implications	
Action to be taken	

Expenditure

	<u>Offer Letter*</u>	<u>Claimed to date*</u>	<u>Final Expected</u>	<u>Difference</u>
<u>Eligible Expenditure</u>				
<u>Structural Funds</u>				
<u>Implications</u>				
<u>Actions to be taken</u>				

Project Management and Administration

Are the systems to ensure the effective implementation of the project in place as stated in the application? Detail any alterations

Financial Management

What arrangements are there to control and monitor project expenditure? Detail any problems.

(optional) invoices checked against claims

--

Physical Progress and indicators

Comment on evidence, quality and eligibility of outputs/ impacts.

Also, make note of any additional outputs & results that the project may be achieving but is not reporting

Are zero/baseline measurements made, when appropriate (eg number of employees in a company at the start of the Programme)

Partnership

What role has each partner actually played in the implementation of the project?

How are the match funding arrangements working

<u>Partner</u>	<u>Funding</u>	<u>Contribution to Outputs</u>	<u>Indirect Support</u>

Linkages

Provide details of how this project has integrated with other publicly funded projects, how this has benefited the project and what future linkages are planned

Publicity

Has the project fulfilled its commitment to publicise the EU's contribution to this project as stated in the application? Check evidence of this

Tendering and Procurement Procedures

Has the applicant adhered to public procurement regulation? Check evidence of this

Horizontal Themes

Horizontal Cross Cutting Theme Indicators – has the applicant agreed a set of horizontal cross cutting theme outputs and results, have they the necessary systems in place, are they recording them in the correct way? etc.

Equal opportunity

ICT

Sustainability & Environmental

<i>Check on key horizontal theme aspects of application – are they delivering? (i.e. where they state that they will do x where possible).</i>
Equal opportunity
ICT
Sustainability & Environmental

<i>Due to the inclusion of the horizontal themes in the programme, has the applicant done more on these areas than they may normally have done (i.e. is there any added value?)? Give details.</i>
Equal opportunity
ICT
Sustainability & Environmental

--

<i>Has the applicant encountered any barriers to addressing the horizontal themes? Give details.</i>
Equal opportunity
ICT
Sustainability & Environmental

<i>Can you see any evidence that the organisation practically implements horizontal themes? access & initial entry to the project (accessible to all) equal opportunities guidelines</i>
--

<i>Are there any examples of good practice that could be publicised or promoted?</i>
--

--

Retrospective “Shelf” Projects

Is this is a retrospective “shelf” project? For retrospective “shelf” projects it is an offer letter requirement that the displaced funds (funds substituted with EU money) are to be utilised by the applicant to fund additional project(s)/ activity that supports the SPD . Check with the applicant if they have done so. Try to collect supporting evidence, if possible. Otherwise collect a statement from the applicant confirming that they have met or will be meeting this condition.

General Comments

--

Action Points

Action points and deadline for response	Who is responsible for these action points?	Action points completed?

Signatures:

Monitoring Officer:

Date:

GOs must have systems in place to check that action points are implemented

Checklist of documentation

General Records

Criteria	Evidence Required	To check	Satisfactory		Comments
			Yes	No	
Project Specification & Workplan	Detailed written plan of the project, Feasibility Study, surveys agrees with application. Includes specific measurable objectives	Sample			
Project management	Minutes of Board/ management meetings Progress reports Computerised systems & procedures Tender documents Fixed Assets register Records to ensure sub-contractors are monitored & managed Other documentation such as HSE records, disaster recovery plan, marketing plan etc	Sample			
Physical Progress	Relevant records for the output/result (eg payroll details in case of job created) Systems to ensure that project outputs & impacts are properly recorded and evidence of achievement maintained Monitoring information	All			

Publicity Records

Criteria	Evidence Required	To check	Satisfactory		Comments
			Yes	No	
Levels of Publicity	Letterheads, stationery Billboards Recruitment material	Sample			

Financial Records - Income

Criteria	Evidence Required	To check	Satisfactory		Comments
			Yes	No	
Match funding	Written confirmations if available Receipt of match funding in accounts Back-up evidence eg remittance advice, bank statements	All			
Match funding in kind	How is this made up Detailed audit trail eg payroll records, apportionment Agreed methodology for valuing & monitoring the contribution	All			
De-minimis State aid (if applicable)	Offer letter Details of all public financial assistance received by applicant over the past 3 years Detailed records of aid received	All			
Revenue income (if any)	Items in books of accounts showing revenue income	All			
Private income	Items in books of accounts showing private income (check that this is not ineligible)	All			

(if any)					
----------	--	--	--	--	--

Financial Records - Expenditure

Criteria	Evidence Required	To check	Satisfactory		Comments
			Yes	No	
Project direct costs	Items in main books of accounts, showing total of project direct costs	All			
Project direct costs	Schedule of direct costs by headings shown in application Audit trail to original documentation eg invoice, travel expense claims	Sample			
Staff Wages/ salary costs	Salary records broken into actual costs per staff member Apportionment of staff time to project	All			
Overhead costs	Working papers showing source of overhead costs & how these are charged to the project Written methods / policy of apportionment	Sample			

Conclusion/Overall Assessment

--

B.5.3 Aggregation of project monitoring information

B.5.3 (i) Description and general principles

The aggregation of project monitoring information to the programme level has two key purposes:

- Certification of expenditure and requests to the Competent Body for payments to final beneficiaries;
- Monitoring of overall programme performance for Annual Implementation Reports

B.5.3 (ii) Guidelines and operational issues

As regards certification of expenditure and requests for payment, see later sections on finance.

As regards contribution to Annual Implementation Reports, see earlier section on programme monitoring.

The timing of both of these activities is crucial, in order to ensure both regular payment flows to beneficiaries and timely submission of Annual Implementation Reports. Through the use of the comprehensive MIS system, however, completion of both activities should be largely automatic. Nevertheless, Annual Implementation Report issues, such as the assessment of progress on the integration of horizontal policies (e.g. environment, equal opportunities, information society) and compliance community rules on state aids and public procurement are likely to require qualitative treatment beyond the raw data which can be supplied by the MIS system.

B.5.3 (iii) Procedures

The general procedure for aggregating project monitoring information would be a follows:

Step	Action	Documentary Output
AG1	<p>IBs process data/info through MIS, which generates quarterly, annual and final monitoring reports for each region. These comprise:</p> <ul style="list-style-type: none"><input type="checkbox"/> A statement of new and total expenditure incurred<input type="checkbox"/> A statement of outputs/results achieved against targets – including for horizontal policies<input type="checkbox"/> A record of irregularities detected<input type="checkbox"/> A record of compliance with Community rules. <p>Each quarterly, annual and final report will be signed (either manually or electronically) by the IB Director of authorized person, prior to official transmission to the MA</p>	Authorised electronic IB Monitoring Report

AG2	<p>Data relating to payment claims are validated by MA, against known results of financial control checks and audits.</p> <p>If all is deemed correct, MA sends regional payment claim to the Competent Body (see later section on Financial Control/Payments).</p> <p>If validation cannot be completed by the MA, the expenditures in question are removed from the regional payment claim and the IB is informed. Remainder of the regional payment claim proceeds to the Competent Body.</p>	<p>MIS entry</p> <p>MA payment request to Competent Body</p> <p>Return to IB of expenditures which could not be validated</p>
AG3	<p>IB compiles its contribution to the Annual Implementation Report for the programme and submits this to the MA within the time period stipulated (see Manual section on Programme Monitoring). This is to include: progress against technical and financial indicators, irregularities detected and corrective actions undertaken. This report also highlights any requested actions from the MA at programme level.</p>	<p>Contribution to OP Annual and Final Implementation Reports</p>
AG4	<p>After receiving IB report contributions, MA checks them for adequacy of information. Where this is not adequate, or clarification of outstanding issues is required, it requests additional information from the IB.</p>	<p>Letter requesting information</p>

A strict timetable should be developed as part of the procedures for aggregating project monitoring information.

B.5.3 (iv) Operational materials (sample forms, tables etc.)

The attached templates are adapted from the Phare EDIS procedure. For Structural Funds, these will depend on the MIS system that will generate them.

IB Aggregated Monitoring Report

This report is generated from the MIS system. Here is a sample of the template for the report

IB MONITORING REPORT

☐ Annual Report

☐ Final Report

IB <insert name/region>

Reporting period <insert period>

I. Financial statistics

	Projects	Number of projects	Total amount of grant funds (Euro)	Grant beneficiary co-financing (Euro)			Total
				Total value	In kind (Euro)	In cash (Euro)	
A	Contracted projects						
B	Cancelled projects						
C	Projects with problems/irregularities						
D	Total value						
E	Total value actually disbursed ...						

II. TECHNICAL PROGRESS

No.	Perseus Code	Beneficiary	Project title	Sector*	Typology of Project*	Project start (month/year)	Information up to (month/year)	Project end (month/year)	Outputs				Results			
									Indicator*	Target value	Actual value	Deviation (±%)	Indicator*	Target value	Actual value	Deviation (±%)
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
13																
14																

* One or more entries to be selected from the Monitoring Performance Grid

III. FINANCIAL PROGRESS

Grant Scheme _____ Budget line _____

No.	MIS Code	Beneficiary	Type of beneficiary	Contracted Budget (Euro)				Paid amount (Euro)				Comments
				Grant	Own contribution /cash	Own contribution/ in kind	Total	Grant	Own contribution /cash	Own contribution/ in kind	Total	
Total/Measure/Priority /region												

IV. Terminated Grant Contracts

Grant Scheme				Budget line					
Name of beneficiary	Status of beneficiary	Date of notification to MA	Date of any other correspondence between IB and the beneficiary	Means of notification	Measures undertaken	Total Contract amount (Euro)	Inadequately spent amount (Euro)	Reasons	Sums recuperated by CB

V. Problem Grant Contracts

Grant Scheme _____ Budget line _____

Name of beneficiary	Status of beneficiary	Date of problem identification	Date of any other correspondence between IB and the beneficiary	Date of notification to MA	Means of notification	Measures undertaken	Total Contract amount (Euro)	Inadequately spent amount (Euro)	Reasons	Sums recuperated by CB

The most encountered 3 problems	How many problems/irregularities were solved	How many projects shall be cancelled if the related problems/irregularities are not solved
1.		
2.		
3.		

VI. REGULAR AND SPECIAL SITE-VISITS

Grant Scheme _____ Budget line

[illegible]

CONCLUSIONS

Recurrent Problems in Programme Implementation

General Remarks

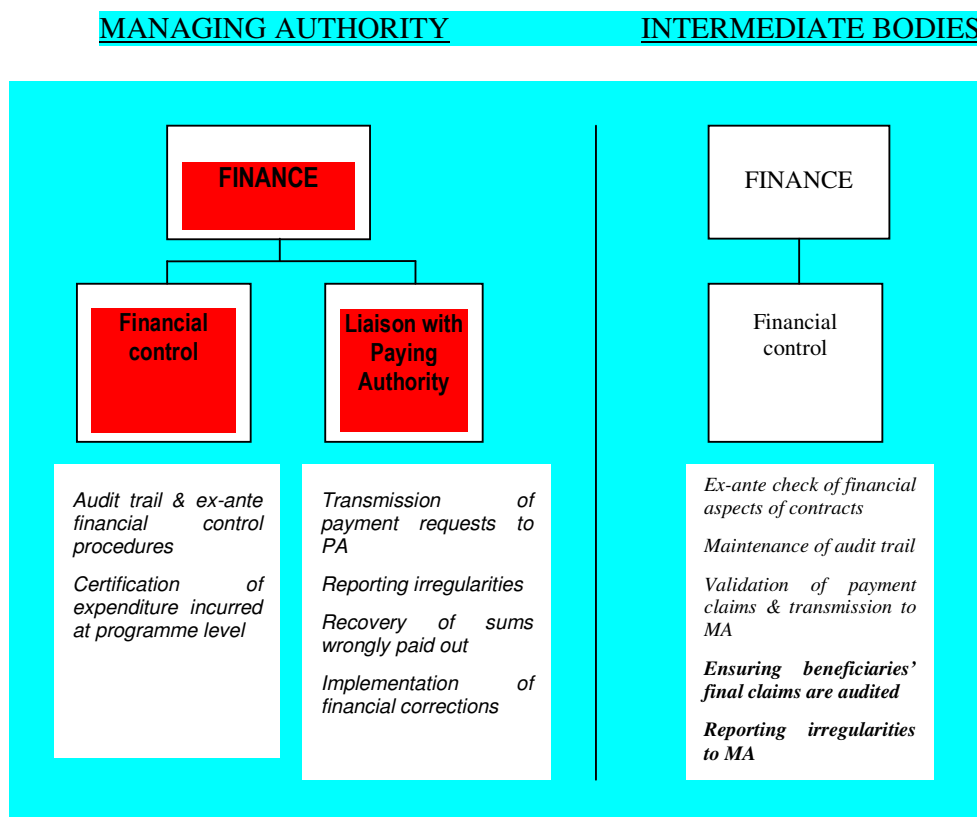
Contribution to Annual Implementation Report

Heading	Contents
Description	Number of projects, type of projects, main objectives, physical indicators and expenditure by Priority and Measure for the programme, regional breakdown.
Conformity	Clarifying conformity with programme fiche and enumerating any main items of non conformity among the projects
Assessment of results	Itemisation of achievement of results compared with the plan, reasons for divergences from plan, regional variations
Review of financial and socio-economic forecasts & cost benefit analysis	Itemisation of achievement of input and output indicators compared to plan, reasons for divergences. Presentation of output/input indicators for efficiency. Regional variations Comments on programme assumptions
Future management	Comments on sustainability of results and potential impact, review of main risks and assumptions, plans for future monitoring.
Equal opportunities	Issues affecting equal opportunities in the programme, including a breakdown of male and female beneficiaries (if individual beneficiaries)
Protection of environment	Issues affecting the environment, including use of natural resources, energy, waste disposal
Publicity	Summary of publicity given to date on the programme
Conclusions	Summary of main findings

.....

C) FINANCIAL MANAGEMENT AND CONTROL

Part C of the manual concerns the tasks to be handled mainly by the specialised financial control Directorates/Units of the Managing Authority and Intermediate Bodies shown below, as extracted from the overall organigrammes.



Taken together, these Directorates/Units are responsible for certification of programme expenditure to the Certification Authority, requesting payments to Final Beneficiaries via the Competent Body, identifying and reporting irregularities implementing financial corrections.

C.1. EX-ANTE CONTROLS

Key differences between Structural Funds and Phare requirements

Prior the conferral of Extended Decentralisation (EDIS) by the Services of the Commission, project selection, tendering and contracting are subject to ex-ante approval by the Commission. EDIS conferral is subject to meeting minimum criteria (see Article 12 and Annex of Regulation 1266/1999.)

Under the Structural Funds all ex-ante controls are delivered by the Member State (The Managing and Certifying Authorities and those bodies delegated by them.)

C.1.1 Verification of audit trail operations

C.1.1 (i) Description and general principles

Management and control systems must provide a sufficient audit trail. An audit trail is considered sufficient where it permits:

- a) Reconciliation of the summary amounts certified to the Commission with individual expenditure records and supporting documents held at the various administrative levels and by final beneficiaries including, where the latter are not the final recipients of funding, the bodies or firms carrying out operations; and
- b) Verification of the allocation and the transfers of the available Commission and national funds.

C.1.1 (ii) Guidelines and operational issues

INDICATIVE DESCRIPTION OF INFORMATION REQUIREMENTS FOR A SUFFICIENT AUDIT TRAIL

A sufficient audit trail, when, for a given assistance:

1. Accounting records kept at the appropriate management level provide detailed information about expenditure actually incurred in each co-financed operation by final beneficiaries including, where the latter are not the final recipients of funding, the bodies and firms carrying out the operations. The accounting records show the date they were created, the amount of each item of expenditure, the nature of the supporting documents and the date and method of payment. The necessary documentary evidence (e.g. invoices) is attached.

2. For items of expenditure relating only partly to the co-financed operation, the accuracy of the allocation of the expenditure between the operation co-financed and other operations is demonstrated. The same applies to types of expenditure that are considered eligible only within certain limits or in proportion to other costs.

3. The technical specifications and financial plan of the operation, progress reports, the documents concerning the grant approval and tendering and contracting procedures, and reports on inspections of the products and services co-financed in the operation are also kept at the appropriate management level.

4. For declaring expenditure actually incurred in co-financed operations to an intermediate body lying between the final beneficiary or the body or firm carrying out the operation and the paying authority, the information referred to in paragraph 1 is aggregated into a detailed statement of expenditure for each operation covering all individual items of expenditure for the purpose of calculating the total certified amount. The detailed statements of expenditure constitute supporting documents for the accounting records of the intermediate body.

5. Intermediate bodies keep accounting records for each operation and for the total amounts of expenditure certified by final beneficiaries. Intermediate bodies reporting to the paying authority designated under Article 9(o) of Regulation (EC) No 1260/1999 (or future certifying authority) present to it a list of the operations approved under each assistance, identifying each operation in detail and indicating the final beneficiary, the date of approval of the grant, the amounts committed and paid and the period of the expenditure, and the total expenditure by measure and sub programme or priority. This information constitutes supporting documentation for the accounting records of the paying authority and is the basis for the preparation of the declarations of expenditure to be presented to the Commission.

6. In cases of final beneficiaries reporting directly to the certifying authority, the detailed statements of expenditure referred to in paragraph 4 constitute supporting documentation for the accounting records of the certifying authority, the detailed statements of expenditure referred to in paragraph 4 constitute supporting documentation for the certifying authority, which is responsible for drawing up the list of co-financed operations referred to in paragraph 5.

7. Where there is more than one intermediate body between the final beneficiary or the body or firm carrying out the operation and the paying authority, each intermediate body for its area of responsibility requires detailed statements of expenditure from the body below it as supporting documentation for its own accounting records, from which it provides at least a summary of the expenditure on each individual operation to the body above it.

8. In the case of computerised transfer of accounting data, all the authorities and bodies concerned obtain sufficient information from the lower level to justify their accounting records and the sums reported upwards, so as to ensure a sufficient audit trail from the total summary amounts certified to the Commission down to the individual expenditure items and the supporting documents at the level of the final beneficiaries and the bodies and firms carrying out the operations.

C.1.1 (iii) Procedures

C.1.1. (iv) Operational materials (sample forms, tables etc.)

C.2 CERTIFICATION OF EXPENDITURE

Key differences between Structural Funds and Phare requirements

Key differences here are likely to be the level and scope of certification by the IBs/RDAs. The current view is that for the Structural Funds the IBs/RDAs will draw up the expenditure statements. The MA will verify these statements but not necessary at the level of individual project.

C.2.1 Certification of expenditure at project level

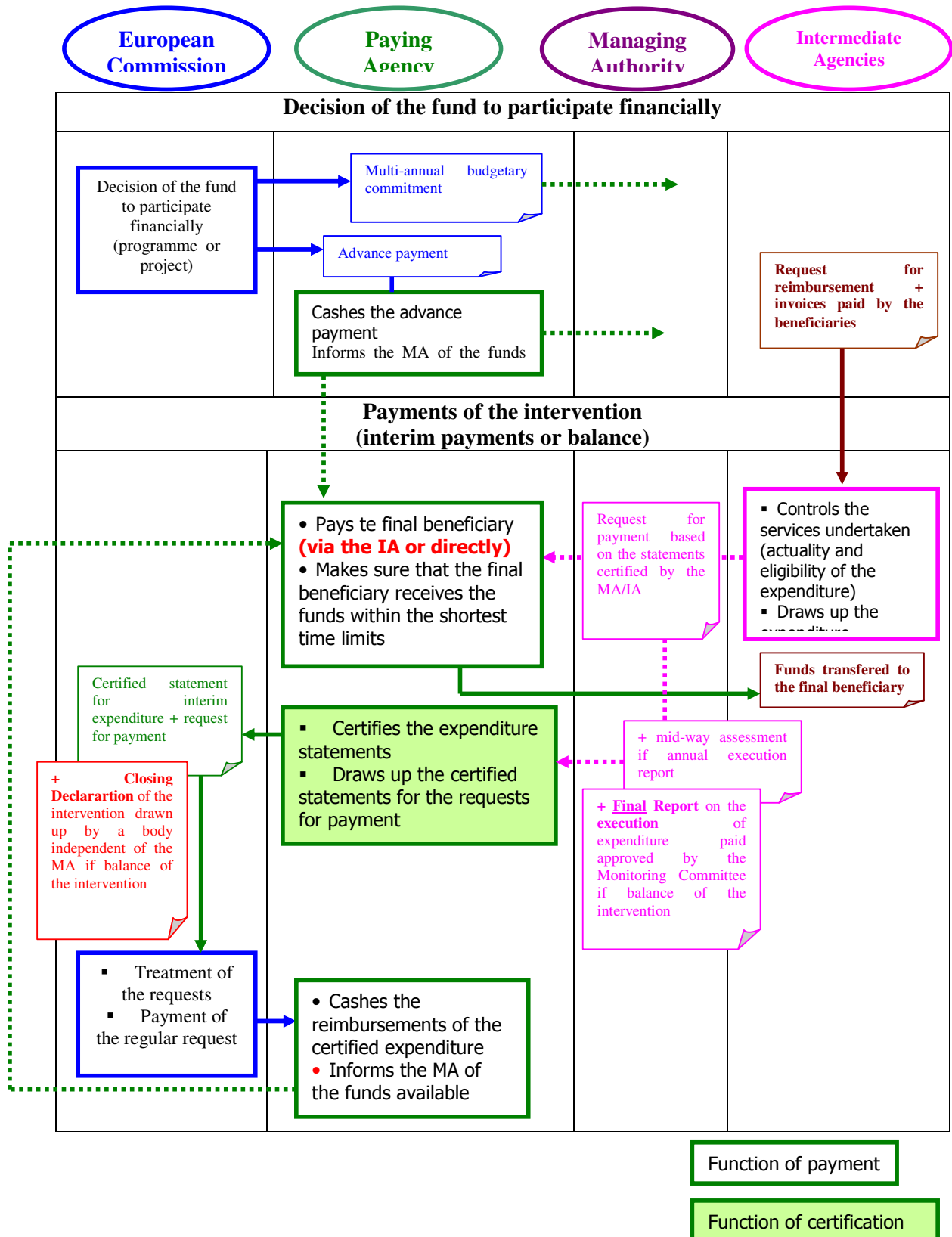
C.2.1 (i) Description and general principles

Projects should submit quarterly expenditure declarations to the Intermediate Bodies. These should be submitted on the payments claim form at (iv). The payment claim should report on the physical and financial progress of the project. Original invoices and other documentation verifying the declared expenditure should support this.

Only expenditure in accordance with the contract (offer letter) is eligible for funding.

Possible certification flows are shown below.

Functions of certification and payment: Target Scheme - Twinning RO 02 IB FI 12



NOTE: The materials presented under Section 2.1 are heavily based on Phare ESC EDIS procedures. Terminology and methodology could change significantly for Structural Funds

C.2.1 (ii) Guidelines and operational issues

The bodies involved in the process of financial control and payment are the following:

- The RDA's, monitoring unit
- The Payments Directorate within the RDA
- The Preventative Financial Internal Control Unit within the RDA
- The Programmes Payments Directorate within the MEI
- The Preventative Financial Internal Control Unit within the MEI
- The delegated Preventative Financial Controller of the Ministry of Public Finance.

C.2.1 (iii) Procedures

Payment of Advances (only relevant to those projects that are eligible for advance payments)

Control procedures prior to paying advances

After the completion of the contracting phase a copy of the signed contract will be sent to the Payment Unit of the IB from the body responsible for having the contracts signed.

The first operation to be carried out by the Payment Unit of the IB will be to input the following information into IRIS for each contract:

- The title of the project
- The name of the beneficiary/contractor
- The address of the beneficiary/contractor
- Bank account details of the beneficiary/contractor
- The date when the contract was signed
- The period of implementation
- The value of the contract

For each signed, the advance will be paid from the Structural Funds and state budget co-financing in the percentages set out in the Special Conditions of the contract.

The beneficiary will open the following dedicated bank accounts for the grant contract:

- A bank account in a commercial bank in EUR (if the contract is in euro) or
- A bank account in a commercial bank in ROL.

This account will be used for receiving payments related to the project.

The beneficiary will keep a record and evidence of the interest earned by source; respectively own contribution and public funds, so that the interest earned on public funds can be recovered at the time of final payment of the grant contract.

Any change of the bank or the account will be notified to the Contracting Authority.

Upon the signing of the contract, the beneficiary will send to the RDA:

- **The Request for Payment of the Advance**
- **The Financial Identification** together with copies of the statements of the bank accounts showing that the special account required for the project have been opened together with a copy of the signed contract

The amount of the Request will be in accordance with the Special Conditions of the grant contract.

Upon receipt of the Request for Payment from the beneficiary of the grant contract, the RDAs will:

- Register it in the Register of the Requests for Structural Funds
- Check that the amount requested is the same as the amount set out in the payment option in the Special Conditions of the contract
- Complete a **Checklist**;
- Draw up and sign a **Payment Note** .

The RDA will send the Request for Payment of the advance together with the supporting documentation, including the RDA's Checklist and Payment Note, to the General Directorate of Regional Development, specifically to the MD of the MEI, through the Registry of the MEI.

The MD will:

- Register the Request for Payment
- Verify the documentation

- Validate the expenditure in respect of the payment of the advance
- Prepare a **Note** certifying the conformity, regularity and legality of the Request of Payment which will be signed by the Director of the MD
- Send all the documents to the Programmes Payments Directorate

After receiving the Application File, which will include the Request for Payment of the advance and all supporting documents, the Referent within the PPD will record the Request for Payment in the Correspondence Register of the PPD and will send the documents to the Deputy Director of the PPD.

The Deputy Director of the PPD will distribute the documents to the relevant Contract Officer.

The Contract Officer within the Contract Section of the PPD will:

- Check the correctness of the data included in the Payment Request by comparing it to the Payment Note of the RDA, with the data in the contract and with the amounts recorded in the Cash Flow Forecast that formed the basis of the drawing up the Request for Funds sent to the NF
- Draw up and sign a note that will accompany the Payment Orders and the Ordinance of expenditure
- Draw up an **Ordinance of Expenditure** with the amount from the Request for Payment of the advance.

The Ordinance of Expenditure will be recorded in the Ordinance of Expenditure Register.

The Contract Officer will then have the Ordinance of Expenditure signed by:

- The Accounting Officer - after the Accounting Officer has checked that there are sufficient funds in the relevant programme account
- The MD of the MEI
- The Internal Preventative Controller after the Controller has checked and registered the Application File in the Register of Operations and subject to internal preventative control endorsement. Also the Controller will stamp the Ordinance of Expenditure and complete the **Checklist**;
- The Delegated Preventative Controller of the MPF, after the Controller has checked and registered the Application File in the Register of Operations and subject to preventative control endorsement. Also the Controller will stamp the Ordinance of Expenditure and complete the **Checklist**;
- The PAO acting as Credit Co-ordinator

The Contract Officer will then send all the documents in the Application File to the Payment Officer within the Payment and Accounting Section of the PPD.

The Payment Officer will draw up the Payment Orders as follows:

- **In EURO** for funds contracted in euro, which will be drawn on the EUR account of the MEI, opened in ABN AMRO Bank, and which will credit the EUR account of beneficiary opened at the commercial bank, with the amount of the advance within the percentage limits established by contract, including the state budget co-financing. The Treasury will convert sufficient Lei in euro to meet the share of state budget co-financing set out in the Special Conditions of the contract. Or
- **In ROL** for funds contracted in Lei.

The Payment Order will be registered in the Payments Order Register which will contain the following information:

- The line number which will become the Payment Order Number
- The Correspondence Register Reference Number
- The name of the beneficiary
- The total to be paid in ROL or EUR
- The date the Payment Orders were executed by the bank.

The Payment Orders will be registered sequentially in the Register and the line number from the Register will be recorded on the Payment Orders and this number will become the official reference number.

The Payment Officer will send the Payment Orders and the Application File for the payment of the advance to the Internal Preventative Controller who will:

- Check that the amounts on the Payment Orders correspond with the amounts in the Ordinance of Expenditure
- Complete the line in the Checklist confirming that the amounts are correct.

The Payment Orders will be signed by the authorised signatories, as per the bank mandate within the PPD, in line with the Order of the Minister of European Integration.

The Referent will then submit the Payment Orders to the bank for execution.

The relevant Contract Officer will:

- Send electronically and on hard copy details of advances paid to each RDA, as well as to the General Directorate of Regional Development

The information communicated will be:

- The name of the beneficiary
 - The project code
 - The amount paid
 - The number and the date of the Payment Orders
- File the source documents and other relevant documentation until they are archived

Intermediate Payments/reimbursement of expenditure

The implementation period for each project will be established by the Special Conditions of the grant contract and will depend on the payment options established in the contract. Generally expenditure declarations should be submitted quarterly.

There will be a deadline for making payments in accordance with the contract provisions.

In order to obtain the intermediate payment, the beneficiary will have to draw up a financial report detailing and justifying the expenditure of the advance already received (if any).

The intermediate payments can be made only if the agreed percentage (as specified within the Special Conditions of the grant contract) of the previous payments has been spent and justified.

The beneficiary will send to the RDA:

- **The Request for Intermediate Payment**
- **The Financial Report** accompanied by relevant supporting documents (for example: supplier contracts, acquisitions files, internal, external and pro-forma invoices, certificates of origin, receipts, payment orders, statements of accounts). For those contracts in euro, expenditure reported in Lei should be converted into euro using the Commission's monthly in accordance to Article 2.2 of Regulation 643/2000.

After receiving the Request for Intermediate Payment, together with supporting documents, the RDA will:

- Register the Request in the Register of Requests for Funds
- Verify that the documents correspond with the originals
- Check the eligibility of expenditure made by the beneficiary
- Complete a **Checklist**
- Draw up and sign a **Payment Note**

The RDA will maintain continuous contact with its beneficiaries in order to ensure that files are forwarded and completed promptly in order to enable payments to be made within the current deadline. The RDA will send the Request for Intermediate Payment, together with the supporting documentation including the RDA's Checklist and Payment Note, to the General Directorate of Regional Development, specifically to the MD of the MEI, through the Registry of the MEI.

The MD will:

- Register the Request of Payment
- Verify the eligibility of expenditure
- Validate the expenditure regarding the intermediate payment, drawing up a **Note** certifying the conformity, regularity and legality of the request of payment, signed by the Director of the MD
- Send all the documents, assembled into an Application File, to the Programmes Payments Directorate
- The Referent of the PPD will record the Request for Intermediate payment in the Correspondence Register and send the Application file to the Deputy Director of the PPD.
- The Deputy Director of PPD will distribute the documents to the relevant Contract Officer.

The PPD will verify the regularity of the reports and of the received documents from a financial standpoint.

The Contract Officer within the Contract Section of PPD will:

- Check the supporting documents, the financial reports, the eligibility of expenditure, the accuracy of the transactions and interest earned
- Record all information in the computer system and calculate the amounts that the beneficiary has to receive and generate a **Calculation Sheet**
- Complete a Contract Officer **Checklist**
- Draw up and sign a **Note** that will accompany the Payment Orders and the Ordinance of Expenditure. The Note and the supporting documents will be sent to the Deputy Director of the PPD, or a delegated person, for approval and to the Director of the PPD for endorsement
- Draw up an **Ordinance of Expenditure** with the amount of the Request of Intermediate Payment.

The Ordinance of Expenditure will be recorded in the Ordinance of Expenditure Register.

The Contract Officer will have the Ordinance of Expenditure signed by:

- The Accounting Officer after the Accounting Officer has confirmed that there are sufficient funds in the relevant programme account
- The MD of the MEI
- The Internal Preventative Controller after the Controller has checked and registered the Application File in the Register of Operations and subject to internal preventative control endorsement. Also the Controller will stamp the Ordinance of Expenditure and will complete the **Checklist**
- The Delegated Internal Preventative Controller of the MPF after the Controller has checked and registered the Application File in the Register of Operations and subject to internal preventative control endorsement. Also, the Controller will stamp the Ordinance of Expenditure and will complete the **Checklist**
- The PAO acting as Credit Ordonator

If following verification, the amount requested by the beneficiary is deemed not to be eligible because of errors or missing information, the Contracting Authority will inform the beneficiary and the RDA and request correction or further clarification. In this instance the payment deadline will restart from the date of registration of the corrected Request for Payment.

The Contract Officer will send all documents assembled in the Application File to the Payment Officer within the Payment and Accounting Section of the PPD.

The Payment Officer will draw up the Payment Orders as follows:

- **In EURO** for funds contracted in euro, which will be drawn on the EUR account of the MEI. Expenditure reported in Lei should be converted into euro using the Commission's monthly in accordance to Article 2.2 of Regulation 643/2000. Or
- **In ROL** for funds contracted in Lei.

The Payment Order will be registered in Payments Order Register which will contain the following information:

- The line number which will become the Payment Orders Number
- The Correspondence Register Reference Number
- The name of the beneficiary
- The total to be paid in ROL or EUR
- The date the Payment Orders were executed by the bank

The Payment Orders will be registered sequentially in the Register and the line numbers from the Register will be recorded on the Payment Orders and these numbers will become the official reference numbers

The Payment Officer will send the Payment Orders and the Application File to the Internal Preventative Controller who will:

- Check if the amounts on the Payment Orders correspond with the amounts in the Ordinance of Expenditure
- Complete the line on the Checklist confirming that the amounts are correct

The Payment Orders will be signed by the authorised signatories, as per the bank mandate within the PPD, in line with the Order of the Minister of European Integration.

After signature the Referent will submit the Payment Orders to the bank for execution.

The relevant Contract Officer will:

- Send electronically and on hard copy details of intermediate payments made to each RDA, as well as to the General Directorate of Regional Development

The information communicated will be:

- The name of the beneficiary
- The project code

- The amount paid
- The number and the date of the Payment Orders
- File the source documents and other relevant documentation until they are archived

Final Payment

Before the final payment is made, the beneficiary will be required to prepare and submit up a final report which will contain a detailed description of:

- How the Operation was carried out
- A final statement of all the eligible expenditure of the Operation
- A full summary of all income, expenditure and payments
- A audit statement from an independent auditor.

The final payment (plus ant advance and intermediate payments) must not exceed the maximum amount stipulated in the grant contract.

The beneficiary will send to the RDA:

- **The Request for Final Payment**
- **The Financial and Technical Report** accompanied by relevant supporting documentation (for example: supplier contracts, acquisition files, internal, external and pro-forma invoices, certificates of origin, receipts, payment orders, statements of accounts). For those contracts in Lei should be converted into euro using the Commission's monthly in accordance to Article 2.2 of Regulation 643/2000.

After receiving the Request for Final Payment, together with the supporting documents, the RDA will:

- Register the Request in the Register of Requests for Structural Funds
- Verify that the documents correspond with the originals
- Check the eligibility of expenditure made by the beneficiary
- Complete a **Checklist** and draw up and sign a **Payment Note** which will certify the reality and regularity of the operation made by the beneficiary

The RDA will provide support to its beneficiaries to aid the beneficiary in preparing reports that are accurate and complete. The RDA will send the Request for Final Payment, together with the supporting documentation including the RDA's Checklist and Payment Note, to the MEI. The Registry of MEI will give it a registration

number and will send it to the General Directorate of Regional Development, specifically the MD within the MEI. The MD will:

- Register the Request of Payment
- Verify the eligibility of the expenditures from a technical standpoint
- Validate the expenditure regarding the intermediate payment, drawing up a **Note** certifying the conformity, regularity and legality of the request of payment, signed by the Director of the MD
- Send all the documents to the Programmes Payments Directorate

The Referent of the PPD will record the Request for Final Payment in the Correspondence Register and send the Application File to the Deputy Director of the PPD.

The Deputy Director of the PPD will distribute the documents to the relevant Contract Officer.

The PPD will verify the regularity of the reports and of the documents received from a financial standpoint.

The Contract Officer within the Contract Section of PPD will:

- Check the supporting documents, the financial reports, the eligibility of expenditure, the accuracy of the transactions and interest earned
- Record all information in the computer system and calculate the amounts that the beneficiary has to receive and generate a **Calculation Sheet**
- Complete a Contract Officer **Checklist**
- Draw up and sign a **Note** that will accompany the Payment Orders and the Ordinance of Expenditure. The Note and the supporting documents will be sent to the Deputy Director of PPD, or a delegated person, for approval and to the Director of the PPD for endorsement;
- Draw up an **Ordinance of Expenditure** with the amount of the Request for Final Payment.

The Ordinance of Expenditure will be recorded in the Ordinance of Expenditure Register.

The Contract Officer will have the Ordinance of Expenditure signed by:

- The Accounting Officer after the Accounting Officer has confirmed that there are sufficient funds in the relevant programme account
- The MD of the MEI
- The Internal Preventative Controller after the Controller has checked and registered the Application File in the Register of Operations and subject to

internal preventative control endorsement. Also the Controller will stamp the Ordinance of Expenditure and will complete the **Checklist**

- The Delegated Internal Preventative Controller of the MPF after the Controller has checked and registered the Application File in the Register of Operations and subject to internal preventative control endorsement. Also, the Controller will stamp the Ordinance of Expenditure and will complete the **Checklist**
- The PAO acting as Credit Ordonator

If following verification, the amount requested by the beneficiary is deemed not to be eligible because of errors or missing information, the Contracting Authority will inform the beneficiary and the RDA and request correction or further clarification. In this instance the payment deadline will restart from the date of registration of the corrected Request for Payment.

During checking and payment of the final contract payment the following situations can arise:

- The amount of the final payment, as calculated by the Contract Officer, is:
 - **Equal** with the amount of the beneficiary's Request of Final Payment, where the beneficiary has fully achieved all contractual provisions and all expenditure is eligible and in accordance with the approved budget
 - **Less** than the amount of the beneficiary's Request of Final Payment, where the budgetary lines have not been totally covered by expenditure or some of the expenditure has deemed to be ineligible. In this case, the contribution of the Contracting Authority will be limited to the amount calculated by applying the percentage contributions specified in the contract to the actual expenditure incurred and the final payment will be decreased in accordance with the actual calculation
- In a case where the determined **ineligible expenditure** is **larger** then the amount of the final payment claimed by the beneficiary via the Request of Final Payment, the beneficiary will be entered as a debtor of the IARD and will be required to refund the difference.

The MEI will have the duty to recover all amounts paid out as a result of ineligible expenditure.

After the signing of the Ordinance of Expenditure, the Contract Officer will send all documents assembled in the Application File to the Payment Officer in the Payment and Accounting Section of the PPD.

The Payment Officer will draw up the Payment Orders as follows:

- **In EURO** for funds contracted in euro, which will be drawn on the EUR account of the MEI. Expenditure reported in Lei should be converted into

euro using the Commission's monthly in accordance to Article 2.2 of Regulation 643/2000. Or

- **In ROL** for funds contracted in Lei.

The Payment Order will be registered in Payments Order Register which will contain the following information:

- The line number which will become the Payment Orders Number
- The Correspondence Register Reference Number
- The name of the beneficiary
- The payment in EURO (for Payment Orders for Phare funds)
- The total to be paid in ROL and the payment equivalent in EURO (for Payment Orders for state budget co-financing)
- The date the Payment Orders were executed by the bank

The Payment Orders will be registered sequentially in the Register and the line numbers from the Register will be recorded on the Payment Orders and these numbers will become the official reference numbers.

The Payment Officer will send the Payment Orders and the Application File to the Internal Preventative Controller who will:

- Check if the amounts on the Payment Orders correspond with the amounts in the Ordinance of Expenditure
- Complete the line on the Checklist confirming that the amounts are correct

The Payment Orders will be signed by the authorised signatories, as per the bank mandate within the PPD, in line with the Order of the Minister of European Integration.

After signature the Referent will submit the Payment Orders to the bank for execution.

The relevant Contract Officer will:

- Send electronically and on hard copy details of final payments made to each RDA, as well as to the General Directorate of Regional Development

The information communicated will be:

- The name of the beneficiary
- The project code
- The amount paid

- The number and the date of the Payment Orders
- File the source documents and other relevant documentation until they are archived

Financial Reports drawn up by Beneficiaries

Before intermediate and/or final payments are made, beneficiaries will be required to prepare and submit reports that will provide a detailed description of:

- How the project has been carried out
- The extent to which project objectives have been achieved
- An evaluation of the impact of the project
- Publicity activity carried out by the project
- Financial Reports

The following Financial Reports will be submitted to justify project expenditure spent on the project:

- **Revised Budget** – which will set out in column 2 the latest approved budget and in column 3 any modification of the budget, in accordance with the General Conditions of the contract
- **Reasons for the revision of the budget** – which will specify the reasons for the revision of the budget
- **Status of Expenditure** – which will specify all eligible expenditure in ROL or in EUR (depending upon the contract)
- **Bank Reconciliation**
- **Cash Flow (Expenditure) Forecast**

The beneficiaries will report any payment (from public funds and from own contribution) made to cover eligible project expenditure, specifying the payment instalment and the financing source.

C.2.1. (iv) Operational materials (sample forms, tables etc.)

.....

C.2.2 Certification of expenditure at programme level

C.2.2 (i) Description and general principles

All statements of expenditure shall include, for each priority, the amount of expenditure incurred by beneficiaries in implementing the operations and the corresponding contribution from public funds. Expenditure paid by beneficiaries shall be substantiated by receipted invoices or accounting documents of equivalent probative value.

So that the sufficiency of the control systems and the audit trail can always be taken into account before a statement of expenditure is presented to the Commission, the Managing Authority shall ensure that the Certifying Authority is kept informed of the procedures operated by the Managing Authority and by Intermediate Bodies to:

- (a) verify the delivery of the products and services co-financed and the reality of expenditure claimed;
- (b) ensure compliance with the applicable rules; and
- (c) maintain the audit trail.

The statement of expenditure is in euro, (where based on expenditure in lei converted into euro at the time the expenditure was recorded in the accounts of the Certifying Authority).

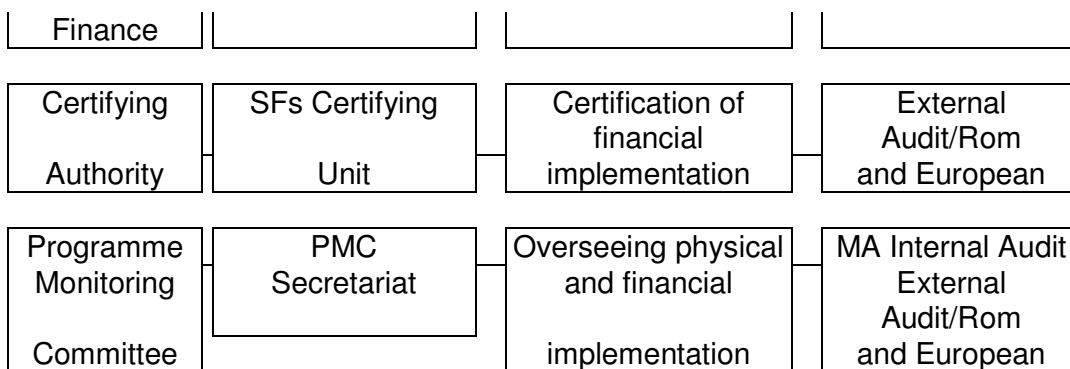
C.2.2 (ii) Guidelines and operational issues

Reported expenditure (converting into euro, where applicable) should be aggregated by the MA to the Priority level of the Financial Table of the RoP. This should then be reported to the Certifying Authority. To ensure that the correct exchange rates are applied this reporting should take place in the same month as the conversions from Lei to euro. The planned IRIS management information should do this automatically.

C.2.2 (iii) Procedures

The procedures for certifying expenditure is as follows:

Organisation	Management Unit	Type of control	Additional controls
Intermediate Body	Monitoring Unit	Certification of physical implementation On-the spot checks of projects (as per Art 4 of 438/2001)	RDA Internal Audit
	Payments Unit	Certification of financial implementation On-the spot checks of projects (as per Art 4 of 438/2001)	
Managing Authority	Monitoring Directorate	Certification of physical and financial implementation	MA Internal Audit
	Programmes Payments Directorate	Certification of physical and financial implementation	
	Internal Preventive Controller	Certification of financial implementation	
	Internal Audit	On-the spot checks of projects (as per Art 10 of 438/2001)	
Ministry of Public	External Preventive Controller	Certification of financial implementation	Internal & External Audit



C.2.2. (iv) Operational materials (sample forms, tables etc.)

CERTIFICATE AND STATEMENT OF EXPENDITURE AND APPLICATION FOR PAYMENT EUROPEAN COMMISSION FUND.....

Certificate and statement of expenditure and application for payment

(to be sent to unit ...of DGthrough official channels)

Name of assistance:

Commission Decision of

Commission reference (CCI) No

National reference (if any)

CERTIFICATE

I, the undersigned representing the Certifying Authority designated by (1), hereby certify that all eligible expenditure included in the attached statement, representing the contributions of the Structural Funds and national public and/or private funding, and paid as the assistance has progressed, was paid after (2):20 and amounts to: EUR (exact amount to two decimal places).

The attached statement of expenditure broken down by measure is based on accounts provisionally closed on and is an integral part of this certificate.

I also certify that operations are progressing in accordance with the objectives laid down in the decision and with the provisions of Regulation (EC) No 1260/1999, in particular as regards:

(1) compliance with the provisions of the Treaty and instruments adopted under it and with Community policies, in particular the rules on competition, the award of public contracts, environmental protection, and elimination of inequalities and the promotion of equality between men and women;

(2) application of management and control procedures to the assistance, in particular to verify the delivery of the products and services cofinanced and the reality of expenditure claimed and to prevent, detect and correct irregularities, pursue fraud, and recover unduly paid amounts.

Supporting documents are and will continue to be available for a minimum period of three years following payment of the balance by the Commission.

I certify that:

(1) the statement of expenditure is accurate and results from accounting systems based on verifiable supporting documents;

(2) the statement of expenditure and the application for payment take account of any recoveries made, when relevant, revenue accruing to operations financed under the assistance and interest income;

(3) details of the underlying transactions are recorded, where possible, on computer files and are available on request to the Commission departments responsible.

Date

Name capitals, stamp, position and signature of
competent authority

C.2.3 Compliance with the N+2 rule

1. Description and main principles

Article 92 of the general regulation states that the Commission shall automatically decommit any part of a commitment which has not received an acceptable payment application by the end of the second year following the year of commitment, the contribution from the Structural Funds to that assistance shall be reduced by that amount. This is called the n+2 rule.

It means, that within the given period,

- calls for applications must be published,
- applications must be prepared and submitted,
- projects must be selected, grant contracts must be signed,
- projects must be implemented (including public procurement, where appropriate),
- claims must be submitted by the beneficiary to the intermediate body, by the IB to the managing authority, by the MA to the Certifying Authority and by the CA to the Commission.

Payments by the European Commission shall be posted to the earliest open commitment. This means, that the n+2 rule must be met at the Operational Programme level. Therefore, projects and measures spending fast can help others spending slowly. Also, projects lasting three years or more can be implemented, assuming that the payment claims are submitted regularly and the final payment claim is submitted before 30 June 2016.

Meeting the n+2 rule is a major challenge for the existing Member States. Committing the entire allocation is made even more difficult by a number of problems that are often unavoidable:

- many projects approved will be implemented with serious delays, or will fail altogether;
- the costs of certain projects may in the end be lower than originally agreed in the support contracted;
- some invoices submitted by project owners will not be paid because they are not eligible;
- it can be expected that there will be irregularities in implementation that will lead to the recovery of funds – which, if not spent on other projects, will be lost.

2. Guidelines to meeting N+2

Managing Authority

The Managing Authority will be ultimately responsible for ensuring that the N+2 targets are fully met. Failure to meet the N+2 targets will mean that funds will be decommitted from the programme and lost to Romania.

To avoid decommitment the MA must fully manage the process and monitor the level of contacting and spend. The MA should:

- Ensure that the Programme Monitoring Committee agrees the project selection criteria as soon as possible.
- Monitor the number and value of projects being submitted to the IBs for appraisal and approval.
- Monitor the level of contracts, expenditure and forecast future expenditure (both in lei and euro).
- Ensure that national co-financing is in place (see Section).
- Monitor the level of performance by the IBs against the performance levels set out in the Service Level Contracts (SLCs)
- Ensure that spend and forecast spend (in euro and lei) recorded in the unified IT Management Information System is up to date and accurate.
- Ensure that the Annual Implementation Reports are fully complete, that the expenditure shown is consistent with that reported by the Certifying Body, and the reports are submitted on time to the Commission following approval by the PMC.

Intermediate Bodies

The IBs are responsible for ensuring that their allocations within the RoP are spent in line with the N+2 profile. Failure to do this may result in funds being transferred to other IBs within the ROP or lost to the programme.

To avoid this, the IB must ensure that the profile of contracting and spend as agreed with the MA is fully delivered. Therefore the IB should:

- Develop a pipeline of eligible projects to ensure on going process of approval.
- Ensure that co-financing is in place prior to the approval of the project.
- Contract projects in accordance with the timetable within the SLC.

- Closely monitor the implementation of each project and take immediate action if the level of expenditure is below that forecast.
- Ensure that the results from the teams performing the “Article 4 and 10” checks are fed into the management analysis of progress towards N+2.
- Maintain a reserve list of replacement and substitute projects.
- Request quarterly expenditure reports from each project, which should include an update of future forecast spend.
- Ensure that the unified IT Management Information System is up to date with actual and forecast expenditure.

3. Procedures

The procedures for compliance with the N+2 rule are tightly bound up with those for project and programme monitoring.

However, the Managing Authority using information supplied by the Intermediate Bodies should complete a specific N+2 monitoring table on a regular basis – at least quarterly, or more often as each N+2 deadline approaches.

An example of an N+2 monitoring table is shown below. The Managing Authority should complete sections D and E of this table to determine whether actual and forecast expenditure up to the closest N+2 deadline is sufficient to avoid decommitment of funds by the European Commission. The data necessary to complete sections D and E should come from the MIS system.

The table itself does not need to be submitted to the Commission. It is a tool solely for the use of the Managing Authority, but may be tabled at the Programme Monitoring Committee.

It should be noted that the N+2 targets are expressed in euro, however spend on the programme will be in lei. Therefore both the MA and IBs should take account of actual and forecast €/lei exchange rates in managing expenditure for meeting N+2. The impact of exchange rates is fully covered in Section of the Manual.

1. Operational materials

N+2 PROFILE

Forecast €/Lei(k) exchange rates:									
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million euro

	2007	2008	2009	2010	2011	2012	2013	2014	2016 June	Total
A: Annual commitments 1	100	100	100	100	100	100	100			700
B: Payment on account 2			49							
C: Cumulative N+2 target			51	151	251	351	451	551	700	
D: Actual cumulative expenditure to current N+2 target (year)										
D1: Euro 3										
D2: Lei										
E: Forecast additional expenditure to current N+2 year										
E1: Euro 4										
E2: Lei										
F: Total actual and forecast expenditure by current N+2 year										
Euro (D1 + E1)			0	0	0	0	0	0	0	
G: N+2 forecast to be met?			No	No	No	No	No	No	No	

1: The figures shown will be replaced with actual commitments (in the range of €300 to €500 per year) once known.

2: 7% of the total programmes value (the Payment on Account) is offset from the N+2 target until 2016.

3: Expenditure in lei as converted into euro using the Commission's monthly exchange rates from the date the expenditure was included into the accounts of the Certifying Authority.

4: Forecast expenditure in Lei converted into euro using above exchange rate(s).

2.

C.2.4 Declaration at the winding-up of the assistance

C.2.4 (i) Description and general principles

Conditions for the payment of the balance

Article 87 of the General Regulation states:

1. The Commission shall pay the balance provided it has received the following documents by 30 June 2016:

- a) a request for payment of the balance and a statement of expenditure in accordance with Article 75;
- b) the final implementation report for the operational programme, including the information set out in Article 66;
- c) a statement of validity for the request for payment of the balance provided for in Article 61, point g), together with the final audit report;

The payment of the balance is subject to the acceptance of the final implementation report and of the statement of validity for the request for payment of the balance.

2. Failure to send any of the documents referred to in previous paragraph to the Commission by 30 June 2016 at the latest shall automatically result in the decommitment of the balance, in accordance with Article 92.

3. Subject to available funding, the Commission shall pay the balance within no more than forty-five days from the date on which it accepts the final report and the statement of validity for the request for payment of the balance. Without prejudice to paragraph 5, the balance of the budgetary commitment shall be decommitted six months following the payment.

4. After 30 June 2016, no further expenditure not certified before that date may be added to any statements of expenditure.

C.2.4 (ii) Guidelines and operational issues

The body or department designated to issue declarations on the winding up of the assistance must have functional independence of:

- (a) the designated Managing Authority;
- (b) the person or department within the Certifying authority responsible for drawing up the certificates of interim and final expenditure
- (c) the intermediate bodies.

C.2.4 (iii) Procedures

The above body has to follow the procedures below for declaring the winding-up of expenditure:

Preparation for closure

Managing authorities and intermediate bodies

- Receive final expenditure claims from all final beneficiaries in relation to expenditure incurred up to the end of 2015 (or other applicable deadline).
- Complete management checks in line with Article 4 of Regulation 438/2001 to verify eligibility and regularity of expenditure.
- Compile final declaration of expenditure for programme and submit it to paying authority.
- Satisfy itself that the expenditure declaration has been, and can be, reconciled with the records in the accounting system for the programme and that there is an adequate audit trail down to the level of the final recipient both for Community and national funds.
- Verify in the final payment claim for each measure the amounts of Community aid actually paid, or due to be paid, to final beneficiaries/final recipients.
- Ensure that all findings and recommendations have been fully implemented, and that all errors/irregularities have been satisfactorily treated, in respect of:
 - Verifications carried out in line with Article 4 of Regulation 438/2001;
 - Checks carried out in line with Article 10 of Regulation 438/2001;
 - Audits by other national bodies;
 - Audits by European Commission;
 - Audits by European Court of Auditors.

(see point 3.6 for an explanation of what is meant by “satisfactory treatment” of errors/irregularities)

Paying authorities

- Draw up certificate of final expenditure for the programme in the prescribed format (see example annex II of Regulation 438/2001).
- Ensure that there is sufficient information from the Managing Authority to be

able to certify the accuracy, eligibility and regularity of the amounts declared.

- Satisfy itself that the conditions under Article 9 § 2 of Regulation 438/2001, or is equivalent, are respected
- Request further information and/or undertake own verifications where necessary.
- Provide a summary of the information in the debtors' ledger indicating for each case:
 - the amount recovered and the date of its deduction from expenditure declared to the Commission, or
 - the amount still recoverable.

{This information does not have to be provided in relation to cases for which the amounts recoverable have been deducted from expenditure declared so that there is no financial impact for Community funds.}

Bodies responsible for the 5% checks

- Complete sample checks on operations.
- Ensure that for the programme concerned, the sample checks carried out on the spot have covered:
 - at least 5% of the total eligible expenditure
 - the implementation of the checks evenly over the period concerned
 - an appropriate mix of types and sizes of operations
 - at least once the main intermediate and final beneficiaries
- Evaluate the nature of every error identified to determine whether they are random errors (i.e. are likely to apply at random across the whole population examined) or systemic errors (i.e. likely to reoccur in a specific subset of transactions).
- Where checks carried out have indicated a problem of a systemic character, carry out further checks to determine and quantify the extent of the problem.
- Where checks have identified a high impact of random errors (above 2% of the population), consider carrying out further checks to better determine and quantify the extent of the problem.
- Ensure that recommendations from audits of the European Commission and/or European Court of Auditors concerning the application of Articles 10 to 12 and 15 to 17 of Regulation 438/2001, or its equivalent, have been fully

implemented.

- Verify that findings and recommendations resulting from the 5% checks have been fully implemented.

Work to be done by independent body for closure statement

The winding up declaration sets out the opinion of the independent body designated (“independent body”) on the final declaration of expenditure and the request for final payment. It is based on the 5% checks carried out, on the audits by other national and Community bodies, and any additional audit work of the independent body itself. A winding up declaration must be provided for each programme no later than at the time of request for the final payment. In the case of multifund programmes, there may be a separate declaration for each fund.

Where the independent body proposes to formulate the opinion in a way which differs from the text of the conclusion to the indicative model in Annex III of Regulation 438/2001, it is recommended that prior agreement should be sought from Commission services.

The independent body should formulate the opinion in accordance with the text of the conclusion to the indicative model in Annex III of Regulation 438/2001. If it proposes to formulate the opinion in a way, it is recommended that prior agreement should be sought from Commission services.

The precise nature of the work to be done by the independent body will depend on the structure put in place for fulfilling the requirements of the regulation and notably whether the independent body has also been responsible for carrying out systems audits and/or sample checks of expenditure under Article 10 or its equivalent.

The information available to the independent body and the work which it does must be sufficient to enable it to respond to the questions set out below for the programme concerned.

Audits of management and control systems

- (1) Which bodies carried out the audit work?
- (2) Were they sufficiently independent of the managing and paying authorities and implementing bodies to avoid any conflict of interest?
- (3) Is the quality of the audit work satisfactory (methodology, qualifications of staff, work carried out, content of report)?
- (4) Have all the main bodies involved in implementation of the programme been audited?
- (5) Has risk analysis where appropriate been correctly applied in the selection of auditees?
- (6) Have all findings and recommendations of audits been fully

implemented?

- (7) Did any of the audit reports conclude that there were material shortcomings in the management and control systems which might have consequences for the regularity of expenditure under the assistance?
- (8) If the answer to point 7 is positive, have adequate steps been taken to rectify the weaknesses and to identify and exclude all irregular expenditure?
- (9) If adequate steps have not been taken, what is the amount of expenditure affected?
- (10) Do the audit reports confirm existence of a reliable accounting system and the presence of a sufficient audit trail?

Sample checks on expenditure

- (1) Which bodies carried out the checks?
- (2) Were they sufficiently independent of the implementing services to avoid any conflict of interest?
- (3) Is the quality of the checks satisfactory and in line with the Commission guidance note CDRR n° 03-0034-00 (methodology, qualifications of staff, work carried out, contents of report)?
- (4) What percentage of the total eligible expenditure declared in respect of the programme has been covered by the checks?
- (5) Is the percentage sufficient to comply with Article 10 of Regulation 438/2001 or its equivalent?
- (6) Has only expenditure which has been subject of in depth on the spot checks down to the level of final recipients been counted toward the minimum percentage?
- (7) Has only expenditure checked in its entirety, or on the basis of a sampling approach in accordance with accepted auditing standards, been counted toward the minimum percentage?
- (8) Was the methodology of selection of operations to be checked in conformity with the regulation? In particular have the checks ensured adequate coverage by year, by measure and by type and size of operation as well as the concentration of operations under the main intermediary bodies and final beneficiaries? Have any risk factors been taken into account?
- (9) How many errors/irregularities were detected, what was their importance, and what was the amount of expenditure affected?
- (10) Have all errors and irregularities identified in the checks been

satisfactorily treated – ie is there adequate evidence that all ineligible expenditure has been corrected, or that appropriate recovery procedures have been taken (with the consequent repayment to the Commission of amounts recovered or allocation of liability between the Commission and Member State pursuant to Article 5 of Regulation 1681/94 in the event of incomplete recovery), and that irregularities have where necessary been reported under Regulation 1681/94?

- (11) Were any of the errors or irregularities of a systemic character? In particular was there a high error rate? If so, were the necessary steps taken to carry out further checks to identify other cases and to correct all ineligible expenditure or take appropriate recovery procedures, and to prevent recurrence?
- (12) Was there a high error rate? If so, was the sample extended to other expenditure in the population?
- (13) What is the amount of expenditure affected by errors/irregularities not satisfactorily treated?
- (14) Do the results of the checks confirm the presence of a sufficient audit trail?
- (15) Has the reconciliation of expenditure been adequately completed? Can it be verified?
- (16) Do the results of the checks indicate any material weaknesses in the management and control system? If so have adequate remedial actions been taken and affected expenditure excluded? If not what is the amount of the affected expenditure?

Audits by other national or Community bodies

- (17) Is there adequate evidence that individual cases of error or irregularity have been satisfactorily treated (see point 10 above)?
- (18) Were there any errors or irregularities of a systemic character identified? If so, is there adequate evidence that the necessary steps were taken (see point 11 above)?
- (19) Do the audit reports indicate any material weaknesses in the management and control system? If so, is there adequate evidence that necessary steps were taken to implement recommendations to correct problems and to correct the expenditure concerned?

Closure procedure of paying and managing authorities

The independent body is required to declare that the final statement of expenditure and the request for the payment of the balance of the Community aid are free of material misstatement. It must therefore audit the procedure followed by the paying and managing authorities to compile the final statement of

expenditure in order to satisfy itself in particular that the amount of expenditure is in conformity with the accounting systems maintained, is based on adequate supporting documentation and that the procedures followed give reasonable assurance that only eligible expenditure has been included.

With regard to the final statement of expenditure and request for final payment, the independent body must verify in particular:

- The correct presentation of the documents;
- The correctness of the calculations;
- The reconciliation of the final statement to declarations of the managing authority and intermediate bodies;
- Compatibility with the applicable financial tables of the last decision in force;
- Correspondence with the financial information, including information on irregularities, in the final report on execution of the programme.

Information to be provided as part of the winding up declaration

The Regulations set out that the declaration presented at the winding up of the programme shall summarise the conclusions of the checks carried out during previous years and shall assess the validity of the application for payment of the final balance and the legality and regularity of the transactions concerned.

The winding up declaration shall be accompanied by a report which shall include all relevant information to justify the declaration including a summary of the findings of all checks carried out by national and Community bodies to which the independent body has had access. Annexe III of the Regulation 438/2001 gives an indicative model for the declaration itself.

Set out below are details of the information which in the Commission's view should be included in the accompanying report. This represents information which must be available to the independent body to make the winding up declaration, and is the minimum information necessary for the Commission to assess the reliance which it can place on the declarations.

Details of independent body

Name, title, service and further information (if necessary) to establish its functional independence of the managing and paying authority and intermediate bodies.

Details of programme

Title, fund, period, CCI number.

Summary of controls carried out under Article 10

In the case of multifund programmes this information should be broken down by

Fund.

Details of bodies which have carried out checks (audits of management and control systems/expenditure checks)

For systems audits:

- Bodies audited and year of audit
- Principal findings and conclusions
- Follow up to verify implementation of recommendations

For checks on operations:

- Number of operations checked broken down by year and measure.
- Amount of expenditure checked broken down by year and measure.
- Percentage of expenditure checked as proportion of total eligible expenditure declared to the Commission.
- Error rate in the sample of expenditure checked for the programme broken down by programme

Work undertaken by independent body (in addition to point 3)

(Indicative list)

- Audits of bodies which have carried out the 5% checks
- Audits of closure procedure of managing and paying authorities or intermediate bodies
- Examination of the debtors' ledger maintained
- Reperformance or alternative verifications of the accuracy of the amounts declared in relation to supporting documents
- Examination of reports from checks referred to in point 3 (specify by category which reports have been received and examined)
- Examination of reports of other national or Community audit bodies (specify by category which reports have been received and examined)
- Examination of information relating to follow up of audit findings and treatment of irregularities
- Examination of other information received (specify the categories of further information).

Limitations to the scope of the examination by independent body

As mentioned in the indicative model for the winding up declaration annexed to the Regulation, any matters which have limited the scope of the examination by the independent body referred to in point 4 must be indicated. Examples of such matters are listed in the indicative model (systemic problems, management weaknesses, lack of audit trail, lack of supporting documents, cases under legal proceedings). Other examples could include inadequate sampling procedures or insufficient independence of bodies carrying out checks. However, this is a non-exhaustive list. The estimated amounts of expenditure affected, and corresponding Community aid, must be stated.

Treatment of errors and irregularities

It is required to state whether such errors and irregularities have been treated satisfactorily. “Treated satisfactorily” means:

- That where necessary the irregularity has been reported under Regulation 1681/94 ;
- That the error/irregularity has been corrected or that proceedings for the recovery of undue payments have been taken (with the consequent repayment to the Commission of amounts recovered in line with Article 8 of Regulation 438/2001 or allocation of liability between the Commission and Member State pursuant to Article 5(2) of Regulation 1681/94 in the event of incomplete recovery);
- That for systemic errors/irregularities, measures have been taken to identify all other cases and to make the corrections necessary or to take appropriate proceedings for recovery, as well as steps to prevent recurrence.

The information provided must include:

- A list of the irregularities reported under Regulation 1681/94 affecting expenditure declared and outstanding recoveries (or a reference to the list contained in the final implementation report with affirmation of its accuracy)
- The number and breakdown by category (see point 7) of other errors/irregularities
- A list of the cases of error/irregularity treated as systemic and the amounts of expenditure affected.
- List of cases submitted under the procedure art. 5.2 of Regulation 1681/94.
- Indicate expressly whether amounts affected by irregularities are included/excluded from the claim.

Frequency of errors and irregularities

It is required to state whether the frequency of errors and irregularities is

low/high. The following points should be noted:

- The standard applied and the methodology followed for the determination of the frequency of errors/irregularities and the assessment as to whether it is considered high or low should be mentioned expressly. The error rate resulting from the sample 5% checks should in particular be taken into account. “Low frequency” may be taken to mean that the financial consequences of the errors/irregularities are estimated to fall below a level of materiality considered appropriate by the independent body for the programme, and will not therefore prevent an unqualified opinion. “High frequency” may be taken to mean that confidence in the entire management control system is seriously affected and therefore no opinion can be given. For determining frequency, a distinction may be drawn between categories of error of different importance (formal/substantive, financial impact, systemic nature ...);
- Where the materiality level referred to above exceeds {2%}, specific justification should be provided.
- The errors and irregularities referred to are not only those identified in the controls under Article 10, but also other national controls and those by the Commission and Court of Auditors.

What the independent body should do when there are problems

The indicative model of winding up declaration envisages a qualified opinion where there are certain obstacles in the examination or where there are some problems which have not been satisfactorily treated, and no opinion if major obstacles are encountered in the examination or the frequency of error found is high.

If the winding up declaration contains a qualified opinion, it is likely that the Commission will be unable to pay the final balance requested immediately and that the closure will be delayed.

Whilst the Regulations also provides that Member States may attach their own opinion to the final certificate of expenditure if they consider it necessary, any divergence from the declaration of the winding up body is likely to require further examination and delay the closure process.

The independent body should therefore, whenever possible, seek to agree with the managing and paying authorities the actions to be undertaken which would make it possible for an unqualified opinion to be given. Where this will significantly delay the presentation of the request for final payment, the Commission should be informed. In any event the deadline under Article 87 of the General Structural Regulation 1260/1999 must be respected.

Obstacles to the examination by the independent body

The independent body has to determine whether they are of such importance that no opinion can be given, whether they are of lesser importance but still require a qualified opinion to be given, or whether they are of such minor importance that

no qualification is necessary.

Sufficient information should be given in the winding up declaration to support the conclusion and consequences drawn.

By way of indication:

- limitations resulting in no opinion could include:
 - failure to check the minimum percentage of expenditure,
 - failure to carry out checks down to the level of final recipients,
 - failure to check one or more of the main implementing bodies or final beneficiaries,
 - serious management weaknesses for which no remedial action has been taken.
- limitations resulting in a qualified opinion could include:
 - failure to carry out systematic risk analysis in selection of sample for checks,
 - failure to ensure the representativity of the sample,
 - lack of formal procedures for identifying and treating systemic problems,
 - inadequate quality of reports on the 5% checks,
 - inadequate separation of functions of staff carrying out the 5% checks.

The amount of expenditure affected should be estimated. It is open to the independent body to conclude that there is no impact on the final expenditure declared, if he is satisfied that that is the case.

Problems which have not been satisfactorily treated

It is indicated under point 3.6 what is meant by “treated satisfactorily”.

Where there are errors or irregularities, or systemic problems which have not been satisfactorily treated, information should be provided on the case, including the possible systemic character and extent of the problem, together with an indication of the amounts of expenditure affected and the corresponding amounts of Community aid. The opinion of the independent body will have to be qualified accordingly.

High frequency of errors/irregularities

Where the independent body concludes that there is a high frequency of errors, no opinion can be given even if the individual cases have been satisfactorily treated. This is because a high level of errors indicates systemic problems in the management and control bodies. The independent body should indicate in the statement the basis for the conclusion on the high frequency, and details of the

errors/irregularities identified. The Commission services will have to agree with the national authorities the further measures to be undertaken to identify the amount of expenditure under the form of intervention which can be accepted for co-financing. The conclusion of the independent body may be limited to specific measures or specific intermediate bodies, in which case the amount of expenditure concerned should be indicated.

C.2.4. (iv) Operational materials (sample forms, tables etc.)

ANNEX III INDICATIVE MODEL FOR THE DECLARATION AT THE WINDING-UP OF AN ASSISTANCE (Chapter V)

To the European Commission, Directorate-General

INTRODUCTION

1. I, (state name in capitals, title and department), have examined the final statement of expenditure for (indicate name of assistance, Structural Fund concerned and period covered) and the application to the Commission for payment of the balance of the Community aid.

SCOPE OF THE EXAMINATION

2. I conducted the examination in accordance with the provisions of Chapter V of Regulation (EC) No I planned and performed the examination with a view to obtaining reasonable assurance about whether the final statement of expenditure and the application for payment of the balance of the Community aid are free of material misstatement. The procedure followed and the information used in the examination, including the conclusions of checks carried out in previous years, are summarised in the attached report.

OBSERVATIONS

3. The scope of the examination has been limited by the following:

- (a)
- (b)
- (c), etc.

(Indicate any obstacles encountered in the examination, for example systemic problems, management weaknesses, lack of audit trail, lack of supporting documentation, cases under legal proceedings etc.; estimate the amounts of expenditure affected by these obstacles and the corresponding Community aid).

4. The examination, together with the conclusions of other national or Community controls to which I have had access, revealed a low/high (indicate as appropriate; if high, explain) frequency of errors/irregularities. The errors/irregularities reported have been satisfactorily dealt with by the management authorities and they do not appear to affect the amount of the Community aid payable, with the following exceptions:

(a)

(b)

(c),etc.

(Indicate the errors/irregularities which have not been satisfactorily dealt with, and for each case, the possible systemic character and extent of the problem and the amounts of Community aid which appear to be affected).

CONCLUSION

Either:

If no obstacles were encountered in the examination, the frequency of errors found is low and all problems have been satisfactorily dealt with:

5(a) In the light of the examination and the conclusions of other national or Community checks to which I have had access, it is my opinion that the final statement of expenditure presents fairly, in all material respects, the expenditure incurred in accordance with the regulations and the provisions of the assistance, and the application to the Commission for payment of the balance of the Community aid appears to be valid.

Or:

If certain obstacles were encountered in the examination but the frequency of errors is not high, or if some problems have not been satisfactorily dealt with:

5(b) Except for the matters referred to at point 3 and/or the errors/irregularities referred to at point 4 which do not appear to have been satisfactorily dealt with, it is my opinion, based on the examination and the conclusions of other national or Community checks to which I have had access, that the final statement of expenditure presents fairly, in all material respects, the expenditure incurred in accordance with the regulations and the provisions of the assistance, and that the application to the Commission for payment of the balance of the Community aid appears to be valid.

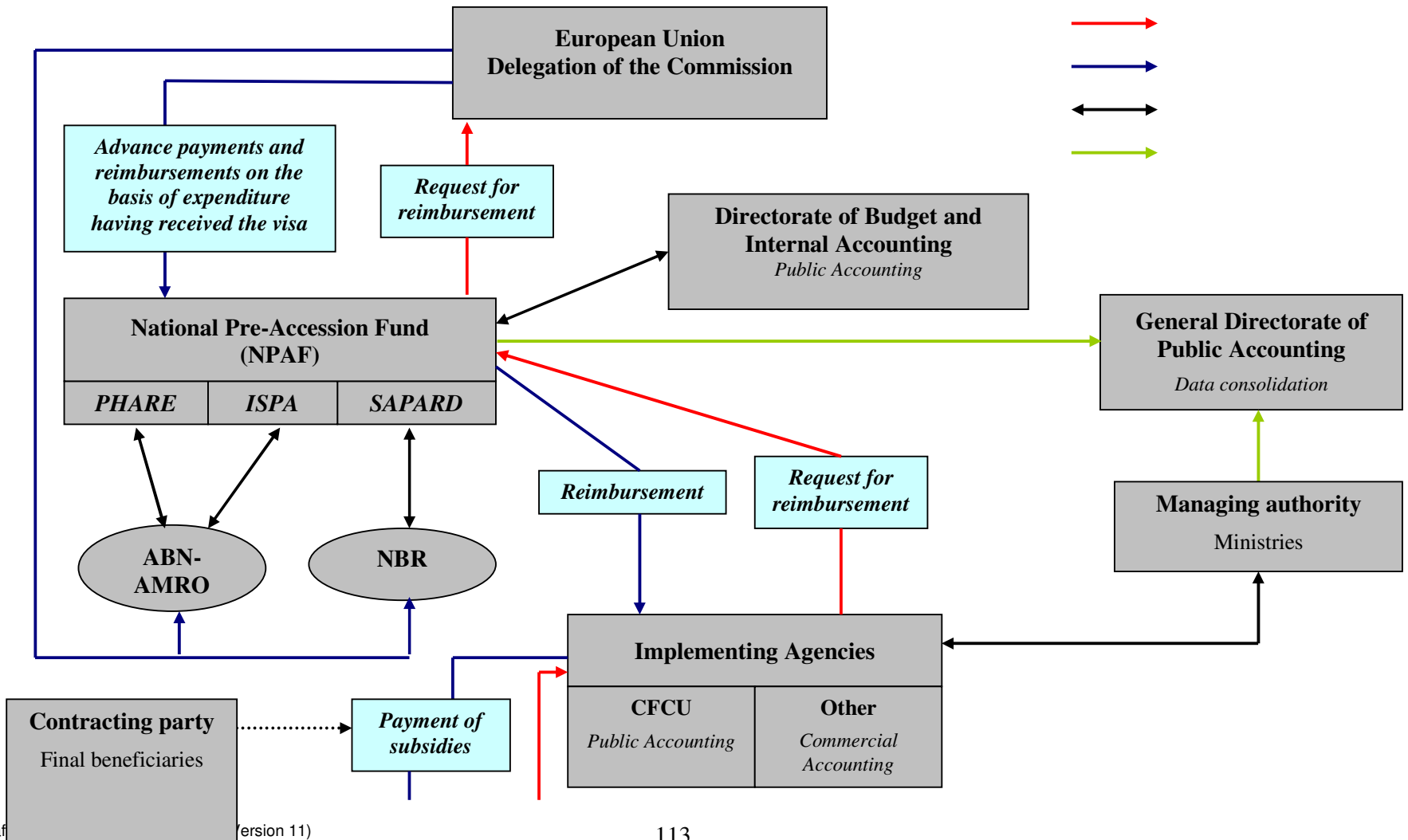
C.3. PAYMENTS

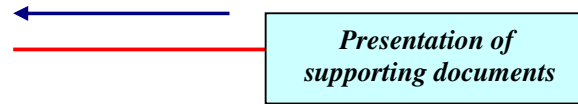
Key differences between Structural Funds and Phare requirements

The payment flows for Structural Funds will be a modified version of that currently in place for the pre-accession funds. Therefore it will build on the skills and expertise and the current management units involved including the national fund.

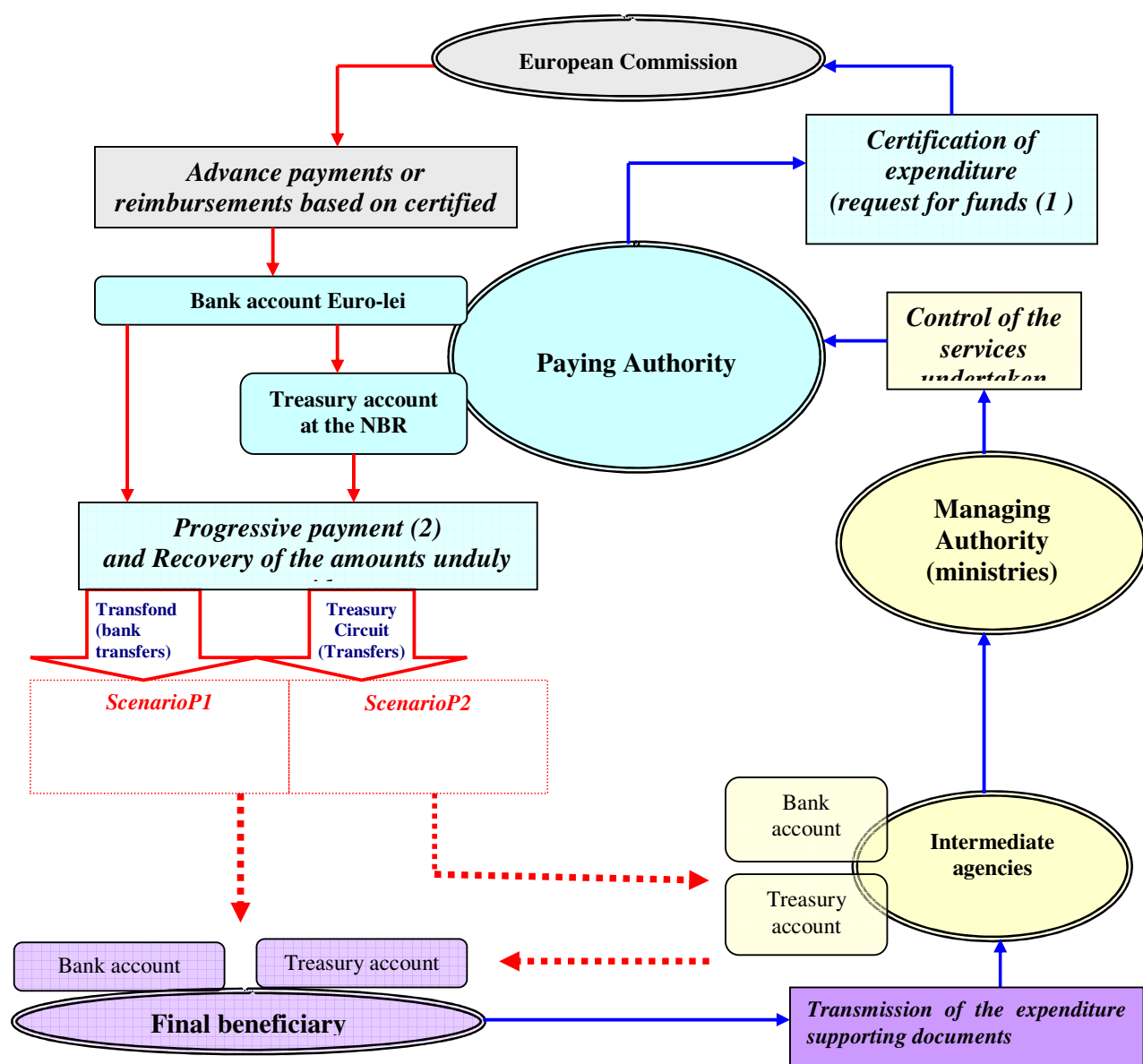
The tables below summaries current and possible future flows.

Current situation – Pre-Accession





Structural Funds Function of Payment



- (1) The request for funds is made 3 or 4 times a year.
- (2) The payments can be made progressively. In practice, the payment pace is negotiated with the managing authority. This point will have to be taken into account in the drawing up of the technical specifications mentioned at point 4.

LEGEND

- Circuit of the request for funds
- Circuit of the transfer of funds

C.3.1 Payment Procedures

C.3.1 (i) Description and general principles

Payments to projects will be made in Lei. Where the co-financing of expenditure is provided from Central Government accounts, the project beneficiary will receive both payments at the same time (check).

The payment process is subject to control checks at each stage.

C.3.1 (ii) Guidelines and operational issues

C.3.1 (iii) Procedures

Payment procedures are still to be finalised. The following are current options:

Option A1 - RDA Pre-Approval, Payment Authorisation and Payment by MA

Institution	Responsibility and Actions
Regional Development Agency	Receives payment claims from project beneficiaries Approves payment claims Submits payment claims to Payments Unit of the Managing Authority
Payments Unit of Managing Authority	Certifies payment claims (on sample basis?) Authorises payment, performs the Preventative Controls Converts the SFs receipts (held in the National Bank euro account) into Lei Transfers the co-financing (if applicable) into the payment account Pays the claims of project beneficiaries Reports payments/expenditure to the Certifying Body
Certifying Body (National Fund for Phare)	Converts the reported expenditure from Lei to euro Reports expenditure to the Commission (3-4 times per year)

Option A2 - RDA Pre-Approval, Payment Authorisation by MA, Payment by MoPF

Institution	Responsibility and Actions
Regional Development	Receives payment claims from project beneficiaries

Agency	Approves payment claims Submits payment claims to Payments Unit of the Managing Authority
Payments Unit of Managing Authority	Certifies payment claims (on sample basis?) Authorises payment, performs the Preventative Controls Instructs the MoPF to pay the claims of project beneficiaries
Ministry of Public Finance - Management Unit of the State Treasury	Converts the SFs receipts (held in the National Bank euro account) into Lei Transfers the co-financing (if applicable) into the payment account Pays the claims of project beneficiaries Reports payments/expenditure to the Certifying Body
Certifying Body (National Fund for Phare)	Converts the reported expenditure from Lei to euro Reports expenditure to the Commission (3-4 times per year)

Option B1- No RDA involvement, Payment Authorisation and Payment by MA

Institution

Responsibility and Actions

Payments Unit of Managing Authority	Receives payment claims from project beneficiaries Approves of payment claims Authorises payment, performs the Preventative Controls Converts the SFs receipts (held in the National Bank euro account) into Lei Transfers the co-financing (if applicable) into the payment account Pays the claims of project beneficiaries Reports payments/expenditure to the Certifying Body
Certifying Body (National Fund for Phare)	Converts the reported expenditure from Lei to euro Reports expenditure to the Commission (3-4 times per year)

Option B2 - No RDA involvement, Payment Authorisation by MA, Payment by MoPF

Institution

Responsibility and Actions

Payments Unit of Managing Authority	Receives payment claims from project beneficiaries Approves of payment claims Authorises payment, performs the Preventative Controls Instructs the MoPF to pay the claims of project
-------------------------------------	---

	beneficiaries
Ministry of Public Finance - Management Unit of the State Treasury	Converts the SFs receipts (held in the National Bank euro account) into Lei Transfers the co-financing (if applicable) into the payment account Pays the claims of project beneficiaries Reports payments/expenditure to the Certifying Body
Certifying Body (National Fund for Phare)	Converts the reported expenditure from Lei to euro Reports expenditure to the Commission (3-4 times per year)

Option C - RDA Pre-Approval, Payment Authorisation and Payment by MoPF

Institution	Responsibility and Actions
Regional Development Agency	Receives payment claims from project beneficiaries Authorises payment, performs the Preventative Controls Submits payment claims to Payments Unit of the Ministry of Public Finance Reports expenditure to the Managing Authority
Managing Authority	Records expenditure
Ministry of Public Finance - Management Unit of the State Treasury	Certifies payment claims (on sample basis?) Authorises payment, performs the Preventative Controls Converts the SFs receipts (held in the National Bank euro account) into Lei Transfers the co-financing (if applicable) into the payment account Pays the claims of project beneficiaries Reports payments/expenditure to the Certifying Body
Certifying Body (National Fund for Phare)	Converts the reported expenditure from Lei to euro Reports expenditure to the Commission (3-4 times per year)

Option D - No RDA involvement, MA Pre-Approval, Authorisation and Payment by MoPF

Institution	Responsibility and Actions
Payments Unit of	Receives payment claims from project beneficiaries

Managing Authority	Approves payment claims Submits payment claims to Payments Unit of the Ministry of Public Finance
Ministry of Public Finance - Management Unit of the State Treasury	Certifies payment claims (on sample basis?) Authorises payment, performs the Preventative Controls Converts the SFs receipts (held in the National Bank euro account) into Lei Transfers the co-financing (if applicable) into the payment account Pays the claims of project beneficiaries Reports payments/expenditure to the Certifying Body
Certifying Body (National Fund for Phare)	Converts the reported expenditure from Lei to euro Reports expenditure to the Commission (3-4 times per year)

More detailed diagrams showing payment and expenditure flows are at Annex XXX (Excel document RoP Flows)

Control and Payment Process –Under Option A1

The bodies involved in the process of financial control and payment of this type of contract are the following:

- The RDAs
- The MD within the MEI
- The Programmes Payments Directorate within the MEI
- The Preventative Financial Internal Control Unit within the MEI
- The delegated Preventative Financial Controller of the Ministry of Public Finance

Payment of Grants

The implementation period for each project will depend on the payment options established in the contract.

There will be a deadline for making payments in accordance with the contract provisions.

In order to obtain the intermediate payment, the beneficiary will have to draw up a financial report detailing expenditure to date.

The beneficiary will send to the RDA:

- **The Request for Intermediate Payment** (see Annex)
- **The Financial Report** (see Annex) accompanied by relevant supporting documents (for example: supplier contracts, acquisitions files, internal,

external and pro-forma invoices, receipts, payment orders, statements of accounts, cash register, DPVE, account balances, travel dispositions)

See 2.1 for full description of the certifying and payment procedure.

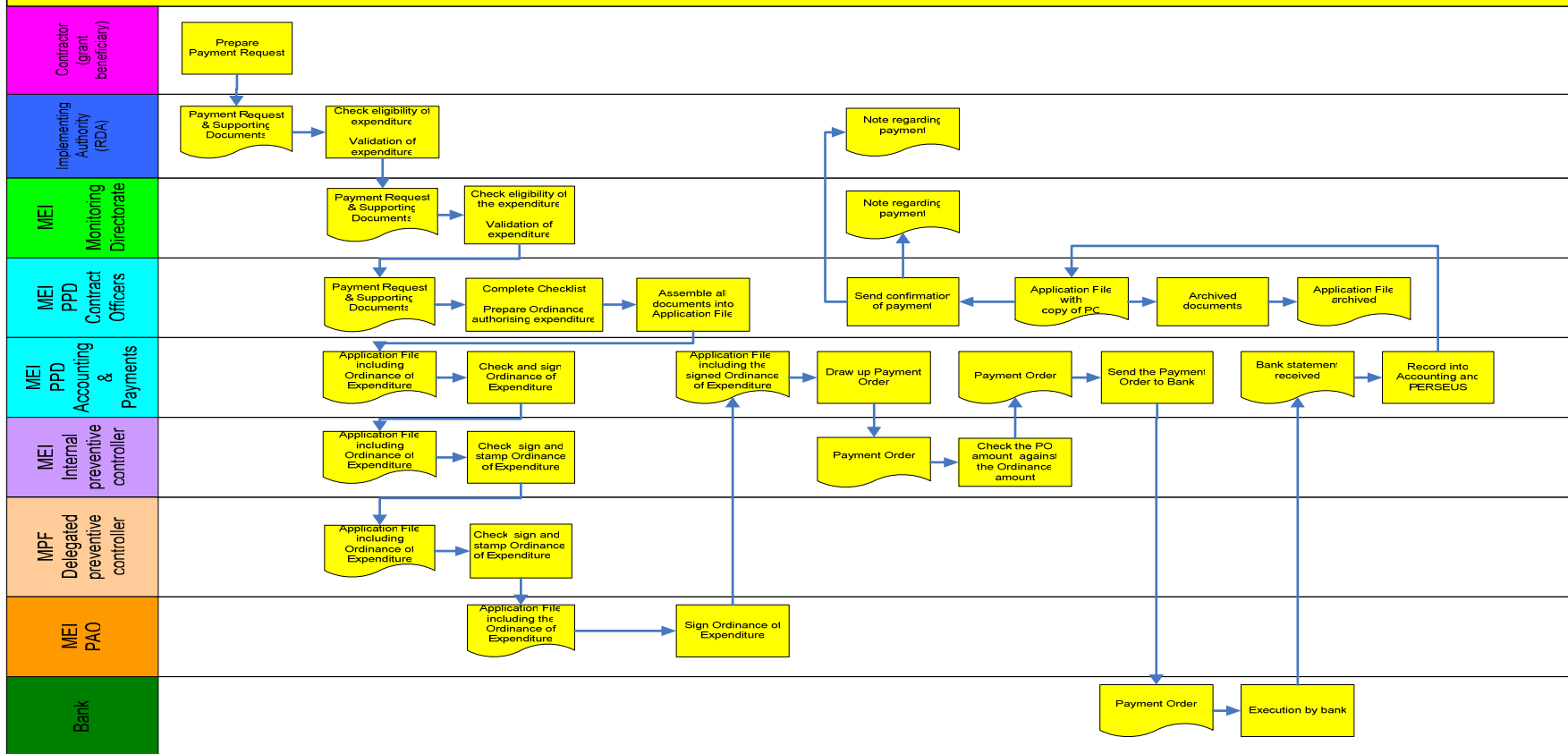
C.3.1. (iv) Operational materials (sample forms, tables etc.)

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PHARE ESC

Financial Flow – GRANT Contracts



C.3.2 Payment Flows for co-financing resources

C.3.2 (i) Description and general principles

All Structural Funds assistance must be co-funded by national public expenditure. The Financial table of the Regional Operational Programme sets out by Priority the Structural Funds assistance and the envisaged national public expenditure (the Intervention Rate). During the RoP's implementation it is possible for projects to have a higher Intervention Rate (greater percentage share supported by the Structural Funds) or a lower rate, however the Intervention Rate must be met by the end date of the programme. It is also possible to have a mix of projects some with a higher Intervention Rate than that shown in the Financial Table, offset by other projects with lower Intervention Rates.

Public sector co-financing may come from a range of sources including:

- Funds specifically allocated from the Central Budget.
- Funds provided by local authorities and regional bodies including the RDAs.
- Bank loans
- Loans and grants from international financing institutions
- The projects own resources

Contributions from the Private Sector do not count towards the co-financing required under the Financial Table.

C.3.2 (ii) Guidelines and operational issues

Certification of Expenditure (Options A and B)

Sections 2.1 and 2.2 sets out the procedure for certifying and reporting expenditure. Eligible public expenditure (Community and national co-financing) is reported to the Commission by the Certifying Authority for reimbursement of the Structural Funds contribution. The Commission allows two options for calculating the Structural Funds contribution:

Under **Option A** the Commission calculates the Structural Funds due by applying the Intervention Rate by Priority shown in the Financial Table to the total eligible public expenditure (Community and national co-financing) declared for that Priority. For example, if the Intervention Rate is 45% and €1,000 is declared then the Structural Funds contribution/reimbursement would be €450. However, if the declared expenditure is made up of projects that have a lower greater percentage share supported by the Structural Funds (smaller percentage share supported by the Structural Funds) than that shown by Priority in the Financial Table then the Structural Funds contribution/reimbursement would be based on the lower Intervention Rates

Option A is the default option.

Under **Option B** the Commission calculates the Structural Funds due by applying the actual Intervention Rates applied to each project. For example, if the Intervention Rate is 45% and €1,000 is declared then the Structural Funds contribution/reimbursement under Option A would be €450. However, if in aggregate, the Intervention Rate for the projects declared was, say, 48% then the Structural Funds contribution/reimbursement would be €480.

Option B is only applied at the request of the Member State and with the agreement of the Commission. To remain eligible for calculations under Option B, the Annual Implementation Report (see A.2.1) has to include additional information and data, as outlined in Section IV below.

Reporting requirements and the use of Options A and B may change depending on the outcome on the negotiations on the general Structural Funds Regulation.

N+2

Regardless whether Option A or B is applied, in calculating progress towards N+2 the higher Intervention Rate described for Option B would count towards the N+2 target.

Additionality (Article 13)

Article 13 of the general Structural Funds Regulation states that Contributions from the Structural Funds shall not replace public or equivalent Structural expenditure by a Member State. For regions covered by the “Convergence” objective, the Commission and the Member State shall determine the level of public or equivalent structural expenditure which the Member State shall maintain in all the regions concerned during the programming period. That expenditure shall be agreed by the Member State and the Commission within the national strategic reference framework.

The “CSF Managing Authority” or equivalent body will produce this Additionality table. The national public expenditure shown in the table should not be less than the national public expenditure shown in the financial tables of the OPs in aggregate. A sample Additionality table is at Annex.....

C.3.2 (iii) Procedures

At Approval stage

During the project appraisal process the project appraisal officer should ensure that the appropriate level of co-financing is (or will be in place) before recommending the project for approval (See Section B.2.3).

At Payment Stage

Payment officers should ensure that the level of co-financing reported in the expenditure declaration of the project is in conformity with that set out in the contract. Any deviation is investigated before approving payment.

C.3.2. (iv) Operational materials (sample forms, tables etc.)

Option B spreadsheet

FORECAST EXPENDITURE FOR 2004:	20.0%	NO OTHER CELLS REQUIRE INPUT
FORECAST EXPENDITURE TRANSITIONAL MERASURES:	40.0%	

Programme:

TABLE 5

ALIGNMENT OF CO-FUNDING: 2004 (OPTION B, POINT 4)

€ million, current prices

	Total cost	Public expenditure				Private sector	Remaining Intervention rate (max)
		Total	Structural Funds		National		
			Total	ERDF			
Core Programme							
Priority 1							
Measure 1	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 2	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 3	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 4	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 5	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 6	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 7	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 8	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 9	0.000	0.000	0.000	0.000	0.000	0.000	
Measure 10	0.000	0.000	0.000	0.000	0.000	0.000	
Total Priority 1	0.000	0.000	0.000	0.000	0.000	0.000	

Additionality spreadsheet

Financial table summarising public or other equivalent structural expenditure in Objective 1 regions

Total English Objective 1 SPDs

million euro, 1999 prices

	Annual average 1994-99						Annual average 2000-06					
	Total eligible public exp	of which: public enterprises	CSF		Not EU co- financed	Total exc EU Col 2 less Col 4	Total eligible public exp	of which: public enterprises	CSF		Not EU co- financed	Total exc EU Col 8 less Col 10
	Nat + EU	Nat + EU	EU	Nat	Nat	Nat	Nat + EU	Nat + EU	EU	Nat	Nat	Nat
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Basic infrastructure	598.9	0.0	58.6	82.5	0.0	540.3	580.3	0.0	108.9	111.5	0.0	471.4
Transport	430.3	0.0	34.4	59.3	0.0	395.9	354.6	0.0	57.9	60.5	0.0	296.7
Telecommunications (capital)	9.2	0.0	4.6	4.6	0.0	4.6	0.3	0.0	0.0	0.0	0.0	0.3
Energy (capital)	41.3	0.0	0.0	0.0	0.0	41.3	54.0	0.0	3.1	3.1	0.0	50.9
Environment & water (capital)	118.1	0.0	19.6	18.6	0.0	98.6	171.4	0.0	47.9	47.9	0.0	123.5
Health (capital)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Human Resources	907.6	0.0	113.1	121.6	0.0	794.5	899.2	0.0	120.5	121.8	0.0	778.7
Education	563.0	0.0	0.0	0.0	0.0	563.0	528.8	0.0	0.0	0.0	0.0	528.8
Training	290.3	0.0	95.9	103.8	0.0	194.3	329.0	0.0	120.5	121.8	0.0	208.4
RTD (R&D)	54.3	0.0	17.2	17.8	0.0	37.2	41.4	0.0	0.0	0.0	0.0	41.4
3. Productive Investment	418.0	0.0	115.8	115.7	0.0	302.2	652.0	0.0	167.0	163.6	0.0	485.1
Agriculture/rural dev/fisheries	25.9	0.0	6.0	6.2	0.0	19.9	16.2	0.0	5.5	3.6	0.0	10.7
Industry	267.7	0.0	88.4	87.6	0.0	179.3	392.5	0.0	157.9	156.4	0.0	234.6
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tourism	124.4	0.0	21.5	21.8	0.0	102.9	243.3	0.0	3.6	3.7	0.0	239.7
4. Other	16.5	0.0	8.2	8.2	0.0	8.2	1.7	0.0	1.0	0.6	0.0	0.6
TOTAL	1941.1	0.0	295.8	327.9	0.0	1645.2	2133.2	0.0	397.5	397.5	0.0	1735.8

C.3.3 Drawdown of monies from the European Commission.

C.3.3 (i) Description and general principles

Budget Commitments

The Community budget commitments in the operational programmes (hereinafter “budget commitments”) shall be effected annually for each Fund during a period between 1 January 2007 and 31 December 2013. The first budget commitment shall be made before the adoption by the Commission of the decision approving the operational programme. Each subsequent commitment shall be made by the Commission on the basis of the decision to grant a contribution from the Funds referred to in Article 31.

Payments

Payments by the Commission of the contribution from the Funds shall be made in accordance with the budget commitments. All payments shall be posted to the earliest open budget commitment.

Payments shall take the form of pre-financing, interim payments and payment of the balance. They shall be made to the body designated by the Member State.

At the latest by 31 January every year, the Member States shall send the Commission an update of the payment request forecasts for the current financial year and the subsequent financial year. **The Certifying Authority utilising data provided by the Managing Authorities will submit this.**

All exchanges concerning financial transactions between the Commission and the authorities designated by the Member States shall be made by electronic means in accordance with the implementing rules adopted by the Commission according to the procedure referred to in Article 104(3) of the General Structural Funds Regulations.

The Competent Body for receiving payments will be the Ministry of Public Finance.

C.3.3 (ii) Guidelines and operational issues

Payment on Account

Following the Commission decision approving the contribution from the Funds to an operational programme, a single pre-financing amount shall be paid by the Commission to the body designated by the Member State. This pre-financing amount shall represent 7% of the contribution from the Structural Funds to that operational programme. It may be spread over two financial years, in accordance with the availability of budget funds.

The total amount paid as pre-financing shall be reimbursed to the Commission by the body designated by the Member State if no payment request under the operational programme is sent within twenty-four months of the date on which the Commission pays the first installment of the pre-financing amount.

Interest

Any interest generated by the pre-financing shall be posted to the operational programme in question and must be deducted from the amount of public expenditure declared in the final statement of expenditure.

Interim Payments

The Certification Authority should submit requests for interim payments three times a year. (See C.2.2.) The Commission makes the interim payments, subject to obtaining reasonable assurance that the management and control systems for the operational programmes established by the Member State are in accordance with Articles 58 to 61 of the General Structural Funds Regulation. This assurance shall be based on the report by the independent audit body referred to in Article 70.

Each interim payment made by the Commission shall be subject to the following conditions being met:

- a) the Commission must have been sent a payment request and statement of expenditure, in accordance with Article 75 of the General Structural Funds Regulation;
- b) no more than the maximum amount of assistance from the Funds may have been granted during the whole period for each priority;
- c) the managing authority must have sent the Commission the most recent annual implementation report by the required deadline, in accordance with Article 66(3) of the General Structural Funds Regulation (see A.2.1);
- d) neither suspension of payments as detailed in Article 91 of the General Structural Funds Regulation (Suspension of payment), nor any reasoned opinion by the Commission in respect of an infringement under Article 226 of the Treaty, as regards the operation(s) for which the expenditure was incurred according to the payment request in question.

The cumulative total of pre-financing and interim payments made shall not exceed 95% of the Funds' contribution to the operational programme.

Payment of the Final Balance

The Commission shall pay the balance provided it has received the following documents by 30 June 2016:

- a) a request for payment of the balance and a statement of expenditure in accordance with Article 75 of the General Regulation;
- b) the final implementation report for the operational programme, including the information set out in Article 66 of the General Regulation;
- c) a statement of validity for the request for payment of the balance provided for in Article 61, point g of the General Regulation), together with the final audit report;

The payment of the balance is subject to the acceptance of the final implementation report and of the statement of validity for the request for payment of the balance.

C.3.3 (iii) Procedures

The Competent Body for receiving payments will be the Ministry of Public Finance. All payments from the Commission will be made to this body. Payments are made in euro. The process is as followed:

- Structural Funds receipts are received by the Competent Body for receiving payments (Ministry of Public Finance, Management Unit of the State Treasury).
- The Competent Body will notify the Managing Authority of the receipt.
- The Structural Funds receipts (in euro) will be held within the Management Unit of the State Treasury until they are required for payment to the end beneficiaries.
- For payments are to be made to end beneficiaries, funds are transferred to account of the Ministry of European Integration, for payments being made from the centre, and to the State Treasury (at local level) for payments being made by the Regional Development Agencies.
- Structural Funds receipts are converted from euro to Lei.
- Payments are made to end beneficiaries.

The flow of funds are shown on the attached diagram (take in Annex VIII 2 of Chapter 21 Position Paper)

C.3.3. (iv) Operational materials (sample forms, tables etc.)

.....

C.4. TREATMENT OF IREGULARITIES AND FRAUD

C.4.1. Detecting irregularities and fraud

C.4.1 (i) Description and general principles

1. As a general rule, any irregularity shall involve withdrawal of the wrongly obtained advantage:

- by an obligation to pay or repay the amounts due or wrongly received,
- by the total or partial loss of the security provided in support of the request for an advantage granted or at the time of the receipt of an advance.

2. Application of the measures referred to in paragraph 1 shall be limited to the withdrawal of the advantage obtained plus, where so provided for, interest which may be determined on a flat-rate basis.

3. Acts which are established to have as their purpose the obtaining of an advantage contrary to the objectives of the Community law applicable in the case by artificially creating the conditions required for obtaining that advantage shall result, as the case shall be, either in failure to obtain the advantage or in its withdrawal.

1. Intentional irregularities or those caused by negligence may lead to the following administrative penalties:

(a) payment of an administrative fine;

(b) payment of an amount greater than the amounts wrongly received or evaded, plus interest where appropriate; this additional sum shall be determined in accordance with a percentage to be set in the specific rules, and may not exceed the level strictly necessary to constitute a deterrent;

(c) total or partial removal of an advantage granted by Community rules, even if the operator wrongly benefited from only a part of that advantage;

(d) exclusion from, or withdrawal of, the advantage for a period subsequent to that of the irregularity;

(e) temporary withdrawal of the approval or recognition necessary for participation in a Community aid scheme;

(f) the loss of a security or deposit provided for the purpose of complying with the conditions laid down by rules or the replenishment of the amount of a security wrongly released;

(g) other penalties of a purely economic type, equivalent in nature and scope, provided for in the sectoral rules adopted by the Council in the light of the specific requirements of the sectors concerned and in compliance with the implementing powers conferred on the Commission by the Council.

C.4.1 (ii) Guidelines and operational issues

The Commission's Working paper on the distinction between "fraud" and "other irregularities" is shown below:



THE EUROPEAN COMMISSION
EUROPEAN OFFICE OF FRAUD PREVENTION (OLAF)

Intelligence and operational strategy

Brussels
OLAF/GH D (2001)

WORKING PAPER

Subject : Communication of irregularities under sectorial regulations: Harmonisation of the approach followed for the distinction between "fraud" and "other irregularities"

The problem

Member States are obliged to communicate, on the basis of the applicable sectorial regulations, to the Commission all cases of irregularity which exceed a certain threshold. For each case, Member States have to transmit, inter alia, information on the nature of the infringement and the action taken to remedy the infringement.

In looking at the communications received during the past years, it becomes apparent that there are important differences between the budgetary fields concerned and between the Member States with regard to the qualification of the gravity of the communicated cases:

- In 2000, Member States qualified, on average, 14% of the irregularities which affect the EAGGF Guarantee as « fraud », against 11% of the cases reported in the area of traditional own resources and only 5% of the cases reported in the area of structural actions. In the area of EAGGF Guarantee, 11 of the 15 Member States identified « frauds » and 12 in the area of traditional own resources against only 6 in the area of structural actions.
- Certain Member States qualify a more important proportion of cases as « fraud » than others: Italy qualifies two to three times more cases as « fraud » than the average of the Member States, Germany reports a relatively homogeneous proportion of « fraud » in all three budgetary domains, while other Member States report a high « fraud » level only in one of the three domains (Ireland in the area of EAGGF Guarantee and Finland in the area of own resources).

It appears that these differences are essentially due to the following facts:

- Member States communicate the cases at a more or less advanced stage of the procedures. If more details are known, the exact qualification is easier.
- Certain control bodies which detect the irregularity are closer to the « penal world» than others. A service which is also in charge of repression of criminal acts has fewer hesitations in qualifying a case as « fraud ».
- The formal communications are sent by administrative authorities which do not necessarily hold information regarding the qualification of a case from the point of view of the criminal law. These authorities often refrain therefore from forging themselves an idea on the criminal character of an infringement.

The legal framework

At the present stage, Community law contains a common definition of the irregularity (regulation N° 2988/95) while the common definition of fraud (Convention on the protection of the financial interests of July 1995) is not yet transposed into binding national law. There can still be therefore differences regarding the application of the *material law*.

On the other hand, sectorial regulations oblige the Member States (and not only the administrative authorities) to communicate also the « stage of the legal procedure... » (Regulation N° 1150/2000) or « the legal procedures... set in motion in view... of the application of sanctions » as well as «the possible abandonment of the penal proceedings » (Regulations N° 595/91, 1681/94, 1831/94). As regard the *procedure*, the practice of the Member States should therefore be homogeneous.

The proposed solution

- Since the Council agreed on the common definition of « fraud », it is proposed ***to start from the common definition contained in the Convention on the protection of the financial interests*** very while awaiting ratification by all Member States. This definition is clarified in the explanatory report published in OJ N° C 191 of 23 June 1997.
- Under regulations N° 595/91, 1681/94 and 1831/94, Member States have to communicate a case as soon as there is a «primary administrative or judicial finding of fact». It is therefore proposed that the competent authorities base the qualification of a case on their ***own provisional appraisal*** and do not await confirmation by the relevant judicial body.
- At the time of the «primary finding of fact», the competent authorities have inevitably *certain factual elements concerning the practices used to commit the infringement* (the *modus operandi*). In order to facilitate the comparison of the cases reported, the Commission agreed with the Member States on a typology of irregularities and produced a catalogue of typical forms of irregularities. This catalogue contains forms of irregularities which explicitly mention criminal acts within the meaning of the criminal law (cf. annex). It is proposed to refine this approach and ***to agree on an exhaustive list of types of irregularity which should be qualified as « fraud »***.
- When the competent authorities of the Member States discover an irregularity, they have to decide also on the appropriate action to be taken. If the offence is serious, national law envisages, in general, the transmission of the file to the authorities judiciaires for the purpose of penal prosecution. The administrative authority which detected the irregularity should, in theory, be concerned with the action taken on its

observations since these consequences ought to have an impact on the organisation and the targeting of future control activities. This administrative authority should therefore be in a position to collect the necessary information on the outcome of the penal proceedings and to correct, if necessary, its preliminary legal assessment. It is proposed *to consider each case, in which the file is transmitted to (or treated by) a judicial body with a view to the possible application of penal sanctions as «fraud» until the moment when the file is closed without consequence.*

- The software which will allow the on-line communication of irregularities (« module 595» for the communications under Regulation N° 595/91, «module 1681» for the communications under Regulation N° 1681/94, «module 1831» for the communications under Regulation N° 1831/94) contains a *specific field* for the overall qualification of the infringement. This overall qualification has to be coherent with other information entered that describes the *type of irregularity* and the *modus operandi*. It is proposed *to make this specific field mandatory.*

TEXT B14997

SYSTRAN-RTF-INFORMATIONS

CELEX

DATE=01/05/22 TIME=21.30.30

391R0595	391R0595
Règlement (CEE) n° 595/91 du Conseil, du 4 mars 1991, concernant les irrégularités et la récupération des sommes indûment versées dans le cadre du financement de la politique agricole commune ainsi que l'organisation d'un système d'information dans ce domaine, et abrogeant le règlement (CEE) n° 283/72	Council Regulation (EEC) No 595/91 of 4 March 1991 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organization of an information system in this field and repealing Regulation (EEC) No 283/72
Journal officiel n° L 067 du 14/03/1991 p. 0011 - 0015	Official Journal L 067 , 14/03/1991 p. 0011 - 0015

394R1681	394R1681
Règlement (CE) n° 1681/94 de la Commission, du 11 juillet 1994, concernant les irrégularités et le recouvrement des sommes indûment versées dans le cadre du financement des politiques structurelles ainsi que l'organisation d'un système d'information dans ce domaine	Commission Regulation (EC) No 1681/94 of 11 July 1994 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the structural policies and the organization of an information system in this field
Journal officiel n° L 178 du 12/07/1994 p. 0043 - 0046	Official journal NO. L 178 , 12/07/1994 P. 0043 - 0046

394R1831	394R1831
Règlement (CE) n° 1831/94 de la Commission, du 26 juillet 1994, concernant les irrégularités et le recouvrement des sommes indûment versées dans le cadre du financement du Fonds de cohésion ainsi que	Commission Regulation (EC) No 1831/94 of 26 July 1994 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund and the organization of an information system in

l'organisation d'un système d'information dans ce domaine	this field
Journal officiel n° L 191 du 27/07/1994 p. 0009 - 0012	Official Journal L 191 , 27/07/1994 p. 0009 - 0012

395R2988	395R2988
Règlement (CE, Euratom) n° 2988/95 du Conseil, du 18 décembre 1995, relatif à la protection des intérêts financiers des Communautés européennes	Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests

C.4.1 (iii) Procedures

To be completed

C.4.1. (iv) Operational materials (sample forms, tables etc.)

C.4.2 Reporting Irregularities and Fraud to the European Commission.

C.4.2 (i) Description and general principles

The reporting of Irregularities and Fraud to the European Commission is required under Commission Regulation 1681/94.

Article 3 of Regulation 1681/94 states:

1. During the two months following the end of each quarter, Member States shall report to the Commission any irregularities which have been the subject of initial administrative or judicial investigations.

To this end they shall as far as possible give details concerning:

- the Structural Fund(s) or the financial instrument(s) involved, the objective, the Community support framework, the name of the programme or form of assistance in question,
- the provision which has been infringed,
- the nature and amount of the expenditure; in cases where no payment has been made, the amounts which would have been wrongly paid had the irregularity not been discovered, except where the error or negligence is detected before payment and does not result in any administrative or judicial penalty,
- the total amount and its distribution between the different sources of financing,
- the period during which, or the moment at which, the irregularity was committed,
- the practices employed in committing the irregularity,
- the manner in which the irregularity was discovered,
- the national authorities or bodies which drew up the official report on the irregularity,
- the financial consequences, the suspension if any of payments and the possibilities of recovery,
- the date and source of the first information leading to suspicion that an irregularity was in evidence,
- the date on which the official report on the irregularity was drawn up,
- where appropriate, the Member States and the third countries involved,
- the identity of the natural and legal persons involved, save in cases where such information is of no relevance in combating irregularities on account of the character of the irregularity concerned.

2. Where some of the information referred to in paragraph 1, and in particular that concerning the practices employed in committing the irregularity and the manner in which it was discovered, is not available, Member States shall as far as possible supply the missing information when forwarding subsequent quarterly reports of irregularities to the Commission.

3. If national provisions provide for the confidentiality of investigations, communication of the information shall be subject to the authorization of the competent court of tribunal.

Article 4 states:

Each Member State shall forthwith report to the Commission and, where necessary, to the other Member States concerned, any irregularities discovered or supposed to have occurred, where it is feared that

- they may very quickly have repercussions outside its territory, and/or
- they show that a new mal-practice has been employed.

Article 5 states

1. During the two months following the end of each quarter, Member States shall inform the Commission, with reference back to any previous report made under Article 3, of the procedures instituted following all irregularities previously notified and of important changes resulting therefrom, including:

- the amounts which have been, or are expected to be, recovered,
- the interim measures taken by Member States to safeguard recovery of sums wrongly paid,
- the judicial and administrative procedures instituted with a view to recovering sums wrongly paid and to imposing sanctions,
- the reasons for any abandonment of recovery procedures; the Commission shall, as far as possible, be notified before a decision is taken,
- any abandonment of criminal prosecutions.

Member States shall notify the Commission of administrative or judicial decisions, or the main points thereof, concerning the termination of these procedures.

2. Where a Member State considers that an amount cannot be totally recovered, or cannot be expected to be totally recovered, it shall inform the Commission, in a special report, of the amount not recovered and the reasons why the amount should, in its view, be borne by the Community or by the Member State. This information must be sufficiently detailed to allow the Commission to decide as soon as possible after consulting the authorities of the member States concerned, who shall bear the financial consequences in accordance with the third indent of Article 23 (1) of Regulation (EEC) No 4253/88.

3. In the eventuality referred to in paragraph 2, the Commission may expressly request the Member State to continue the recovery procedure.

Article 6 states

Should there be no irregularities to report in the reference period, Member States shall inform the Commission of this fact within the same time limit as is set out in Article 3 (1).

C.4.2 (ii) Guidelines and operational issues

To follow

C.4.2 (iii) Procedures

C.4.2. (iv) Operational materials (sample forms, tables etc.)

Sample report:

QUARTERLY COMMUNICATION OF IRREGULARITIES IN CONNECTION WITH THE STRUCTURAL POLICIES AS PROVIDED FOR IN ARTICLE 3 AND ARTICLE 5 OF COMMISSION REGULATION (EC)N°1681/94

IDENTIFICATION OF COMMUNICATION

Member State: UNITED KINGDOM
Case number: UK/04/001/FD/0
Quarter: 0403 [1st Q2004]
Date sent: 040421
Administrative department in Member State

Regional: GOVERNMENT OFFICE FOR THE WEST UPLANDS [OFFICE OF THE DEPUTY PRIME MINISTER]

National: DEPARTMENT OF TRADE AND INDUSTRY

DETAILS OF IRREGULARITY

1. Description of operation:

- 1.1 Community support framework:
- 1.2 Name of programme:
WEST UPLANDS OBJECTIVE 2 200-2006
- 1.3 EC decision N° and date:
EC/DEC/1234/010312
- 1.4 Member State's reference N°:
OPTIONAL
- 1.5 ARINCO N°: CCI 2000GB162D0009

2. Provision infringed

- 2.1 Community provision infringed: 1261/1999
- 2.2 National provision infringed: OFFER LETTER

3. Date of first information leading to suspicion of irregularity: 021230

3.1 Source of first information leading to suspicion of irregularity:

INSPECTION REPORT

4. The manner in which the irregularity was discovered:

104 NORMAL FINANCIAL CONTROLS

5. Type of irregularity: 207, 211, 325

5.1 Practices employed in committing the irregularity:

207 AND 211 - CLAIMS WERE INCORRECT DUE TO INCORRECT CALCULATION OF CONTRIBUTIONS IN KIND, INCORRECT MAINTENANCE OF STAFF RECORDS. **325** - FAILURE TO KEEP ADEQUATE RECORDS TO SHOW SATISFACTORY CONTROL OF GRANTS AWARDED MAKES SUCH GRANT INELIGIBLE.

5.2 Are these practices considered new?: NO

5.3 If yes, has notification been sent under Article 4 of Regulation (EC)1681/94 or of Regulation.(EC)1831/94?:

Yes ☐ date and references, No ☐, Not known ☐

6. Other Member State and third countries involved: NO

6.1 If yes, has notification been sent under Article 4 of Regulation (EC)1681/94 or of Regulation (EC)1831/94?

Yes ☐ date and references, No ☐, Not known ☐

7. Period of the irregularity:

7.1 Date on which, or dates between which, irregularity was committed:

010101/021130 [PERIOD UP TO THE INSPECTION]

8. Authorities or bodies

8.1 Authorities or bodies which drew up the official report on the irregularity: WEST UPLANDS GOVERNMENT OFFICE

8.2 Authorities or bodies responsible for administrative or judicial follow-up: OFFICE OF THE DEPUTY PRIME MINISTER

9. Date on which the official report on the irregularity was drawn up:

030115

10. Name and address of natural and legal persons involved:

10.1 Natural persons:

- Name	:DIRECTOR		
- First Name	:Theo		
- Address	:As below		
- Postal Code	:		
- City	:		
- Country	:		
- Function	:Chief	Executive,	Excellent

Results

10.2 Legal persons:

- Name	:EXCELLENT RESULTS		
- Registered Office	:Enter full postal address of the		
	:organisation		
- Postal Code	:		
- Country	:		

10.1 Natural persons:

- Name	:GRANT		
- First Name	:Nida		
- Address	:As below		
- Postal Code	:		
- City	:		
- Country	:		
- Function	:Executive Manager,	Dinky Items	

10.2 Legal persons:

- Name	:DINKY ITEMS		
- Registered Office	:Enter full postal address of the		
	:organisation		
- Postal Code	:		
- Country	:		

FINANCIAL ASPECTS

11. Total amount and distribution between sources of financing

11.1 Total amount of operation: 250000 UKL

11.2 Community financing: 125000 UKL

11.3 Member State financing: 125000 UKL

12. Nature and amount of the expenditure found to be irregular

12.1 Nature of the expenditure: UNSUBSTANTIATED CONTRIBUTIONS IN KIND, STAFF COSTS INCORRECTLY MAINTAINED, LACK OF CONTROL OVER GRANT AWARDS

12.2 Total amount of the expenditure: 50000 UKL

12.3 Community expenditure: 25000 UKL

12.4 Member State expenditure: 25000 UKL

13. Amount which would have been wrongly paid had the irregularity not been

discovered: AS SECTION 11

14. Financial consequences

14.1 Amount of expenditure under 12.2 not yet paid:

14.2 Suspension of payment:

Yes [☐] Amount: ,No [☒, Not Known [☐

15. Possibility of recovery:

THIS WILL DEPEND ON THE APPLICANT RECTIFYING THE PROBLEMS IDENTIFIED. A DECISION ON CLAWBACK/REFUND HAS NOT BEEN MADE AT THIS TIME.

16. Total amount recovered:

16.1 Community share:

16.2 Member State's share:

17. Total amount to be recovered: 50000 UKL

17.1 Community share: 25000 UKL

17.2 Member State's share: 25000 UKL

18. Date of special report in accordance with Article 5(2) of Regulation

(EC)N°1681/94 or with Regulation (EC)N°1831/94:

NOT APPLICABLE

STAGE OF PROCEDURES

19. Action by Member State

19.1 Interim measures:

FURTHER CLAIMS SUSPENDED UNTIL RECOMMENDATIONS IMPLEMENTED
AND ALL EXPENDITURE SUBSTANTIATED

**20. Administrative proceedings: THIS CAN BE AS LENGTHY AS YOU
WISH [YOU CAN DESCRIBE THE VISIT AND THE IRREGULARITY IN DETAIL
HERE OR IN SECTION 27**

APPLICANT HAS BEEN ASKED TO VERIFY

i} THE CALCULATION OF CONTRIBUTIONS IN KIND

ii} COMPLETION OF STAFF TIMESHEETS

iii} REMEDY LACK OF CONTROL OVER GRANT AWARD
PROCEDURES

A FOLLOW UP VISIT WILL BE UNDERTAKEN BY THE END OF MARCH 2004
TO CONFIRM THE APPLICANT HAS IMPLEMENTED ALL RECOMMENDATIONS
SATISFACTORILY

**21. Judicial proceedings:
NOT APPLICABLE**

**22. Reasons for any abandonment of recovery proceedings: NOT
APPLICABLE**

22.1 Was the Commission notified before the decision to abandon
the

recovery procedure was taken?:

Yes [] date and references, No [], Not known []

23. Have criminal procedures been abandoned?:

Yes [], No [], Not Known []

24. Termination of procedures

24.1 Has the Commission been notified of administrative or
judicial

decisions or the main points thereof, concerning
termination of

proceedings in accordance with Article 5(1) of Regulation
(EC)N°1681/94 or with Regulation (EC)N°1831/94:

Yes [] date and references, No [], Not known []

**25. Penalties imposed (administrative and/or judicial):
NOT APPLICABLE**

**26. If Article 3(3) of Regulation (EC)N°1681/94 or of Regulation
(EC)N°1831/94 applies:**

- to which of the above questions does it apply?:

- has authorisation of the competent court or tribunal been applied for?:

27. Additional observations: ALL FURTHER COMMENTS HERE - THIS COULD BE A FULLER DESCRIPTION OF THE IRREGULARITY. IN THIS CASE IT WOULD GO ON FOREVER SO I HAVE NOT DONE THAT. THIS SECTION CAN BE AS LENGTHY AS YOU WISH

C.4.3. Recovery of sums wrongly paid out

C.4.3 (i) Description and general principles

Recovery is covered in Regulation 428/2001. The amounts recovered are to be refunded to the Commission by reducing the next payment request, or making a repayment to the Commission if that is not sufficient.

If recoveries are outstanding at the end of a calendar year, they are listed in Annex A to the 4th Quarter Irregularities report [Article 8 of Regulation 438/2001].

Cases where recovery has been achieved during the calendar year are listed separately in Annex B to the 4th Quarter report [requirement of Article 8 438/2001 and Article 2 of 448/2001].

Article 3 of 448/2001 requires the Member State to detail the re-use or proposed re-use of the funds recovered in Annex B, also in an Annex [C] attached to the 4th Quarter irregularity report each year.

The Regulations also require Authorities to collect interest on recoveries where they are delayed or late. Similarly, if the Commission demand a repayment and we do not meet their deadline, penalty interest is charged from the day after the deadline is passed [Article 73 Financial Control Regulation].

C.4.4 Financial Corrections.

C.4.4 (i) Description and general principles

The purpose of financial corrections is to restore a situation where 100% of the expenditure declared for cofinancing from the Structural Funds is in line with the applicable national and EU rules and regulations. This allows the establishment of a number of key principles for the Commission services to apply in determining financial corrections :

(a) Irregularity is defined in Article 1(2) of Regulation 2988/95. Irregularities can be one-off or systemic.

(b) A systemic irregularity is a recurrent error due to serious failings in management and control systems designed to ensure correct accounting and compliance with rules and regulations.

If the applicable rules and regulations are respected, and all reasonable measures are taken to prevent, detect and correct fraud and irregularity, no financial corrections will be required.

If the applicable rules and regulations are respected, but the management and control systems need to be improved, there should be pertinent recommendations, but no financial corrections need be envisaged.

Where only errors relating to sums of less than €4 000 (the threshold for reporting irregularities under Regulation (EC) No 1681/94) are found, the Member State should be urged to correct the errors without the opening of financial correction proceedings under Article 39(2).

If there are serious failings in the management or control systems which could lead to systemic irregularities, in particular failures to respect the applicable rules and regulations, financial corrections should always be made.

C.4.4 (ii) Guidelines and operational issues

The amount of the financial correction will be assessed wherever possible on the basis of individual files and be equal to the amount of expenditure wrongly charged to the Funds in the cases concerned. Specifically quantified corrections on each individual operation concerned are not always possible or practicable, however, or it may be disproportionate to cancel the entire expenditure in question. In such cases, the Commission has to determine corrections on the basis of extrapolation or at flat rates.

Where there is evidence that individual quantifiable irregularities of the same type have occurred in a great number of other operations, or throughout a measure, priority/subprogramme or programme, but it is not cost-effective to determine the irregular expenditure for each operation individually, the financial correction may be based on extrapolation.

Extrapolation can only be used where a homogeneous population or subset of operations sharing similar characteristics can be identified and shown to have been affected by the deficiency. In this case, the results of a thorough examination of a representative sample of the individual files concerned selected at random are extrapolated to all the files making up the population identified, in accordance with generally accepted auditing standards.

C.4.1 (iii) Procedures

C.4.4. (iv) Operational materials (sample forms, tables etc.)

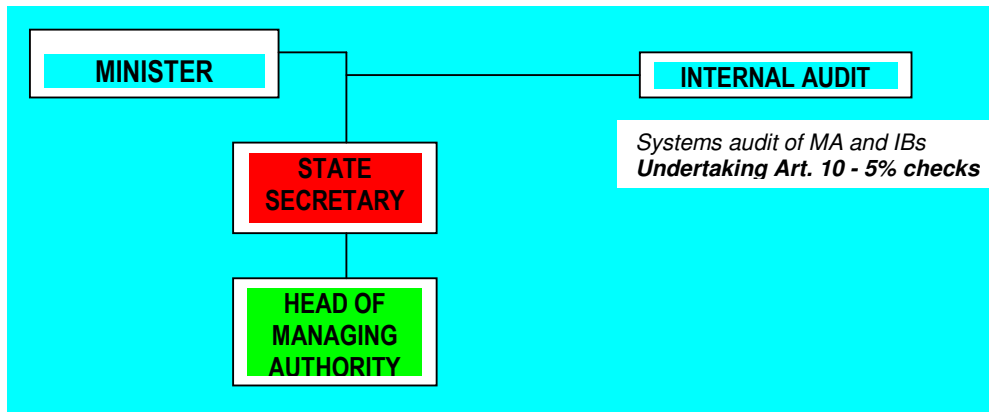
See

Guidelines on the principles, criteria and indicative scales to be applied by Commission departments in determining financial corrections under **Article 39(3) of Regulation (EC) No 1260/1999**. Attached at Annex

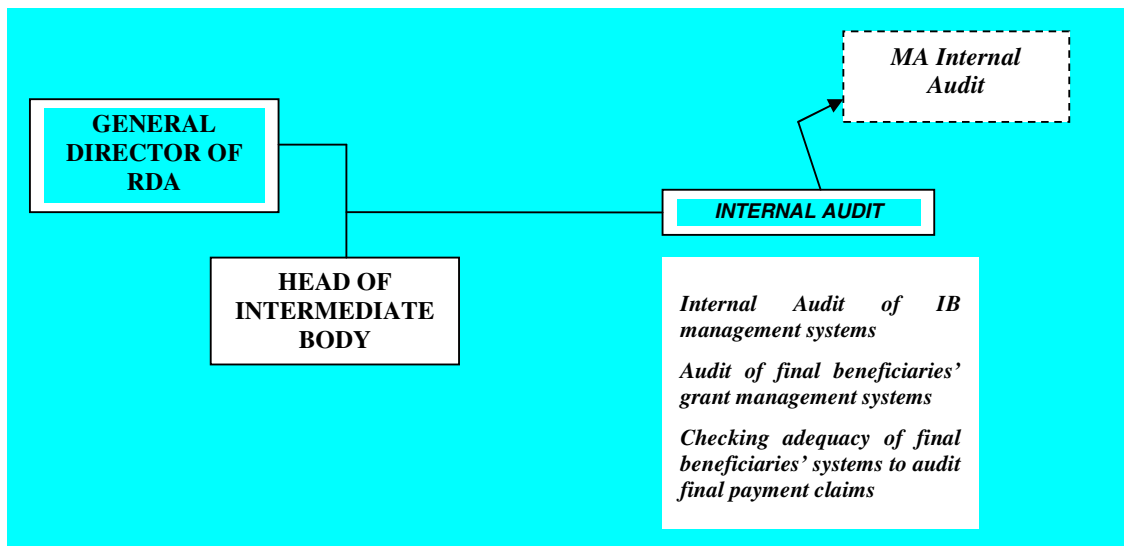
D) AUDIT

Many of the detailed tasks of the Internal Audit Units of the Managing Authority and Intermediate Bodies will be covered in separate manuals. Part D of this manual mainly concerns those tasks relating to the 5% checks to be carried out under **Article 10 of Commission Regulation 438/2001**.

MANAGING AUTHORITY



INTERMEDIATE BODIES



These Units of the Managing Authority and Intermediate Bodies, as extracted from the overall organigrammes, are shown above together with their proposed reporting links.

D.1. INTERNAL AUDIT

Key differences between Structural Funds and Phare requirements

.....
.....

D.1.1 Procedures for independent 5% sample checks (Article 10)

D.1.1 (i) Description and general principles

1. Member States shall organise checks on operations on an appropriate sampling basis, designed in particular to:

- (a) verify the effectiveness of the management and control systems in place;
- (b) verify selectively, on the basis of risk analysis, expenditure declarations made at the various levels concerned.

2. The checks carried out before the winding-up of each assistance shall cover at least 5 % of the total eligible expenditure and be based on a representative sample of the operations approved, taking account of the requirements of paragraph 3. Member States shall seek to spread the implementation of the checks evenly over the period concerned. They shall ensure an appropriate separation of tasks as between such checks and implementation or payment procedures concerning operations.

3. The selection of the sample of operations to be checked shall take into account:

- (a) the need to check an appropriate mix of types and sizes of operations;
- (b) any risk factors which have been identified by national or Community checks;
- (c) the concentration of operations under certain intermediate bodies or certain final beneficiaries, so that the main inter-mediate bodies and final beneficiaries are checked at least once before the winding-up of each assistance.

Through the checks, the Member States shall endeavour to verify the following:

- (a) the practical application and effectiveness of the management and control systems;
- (b) for an adequate number of accounting records, the correspondence of those records with supporting documents held by intermediate bodies, final beneficiaries, and the bodies or firms carrying out the operations;
- (c) the presence of a sufficient audit trail;
- (d) for an adequate number of expenditure items, that the nature and timing of the relevant expenditure comply with Community provisions and correspond to the approved specifications of the operation and the works actually executed;

(e) that the use or intended use of the operation is consistent with the use described in the application for Community co-financing;

(f) that the Community financial contributions are within the limits provided for in Article 29 of Regulation (EC)No 1260/1999 and any other applicable Community provisions and are paid to final beneficiaries without any reductions or unjustified delay;

(g) that the appropriate national co-financing has in fact been made available; and

(h) that the co-financed operations have been implemented in accordance with Community rules and policies as required by Article 12 of Regulation (EC)No 1260/1999.

The checks shall establish whether any problems encountered are of a systemic character, entailing a risk for other operations carried out by the same final beneficiary or administered by the same intermediate body. They shall also identify the causes of such situations, any further examination which may be required and the necessary corrective and preventive action.

Management and control systems must provide a sufficient audit trail. An audit trail is considered sufficient where it permits:

- c) Reconciliation of the summary amounts certified to the Commission with individual expenditure records and supporting documents held at the various administrative levels and by final beneficiaries including, where the latter are not the final recipients of funding, the bodies or firms carrying out operations; and
- d) Verification of the allocation and the transfers of the available Commission and national funds.

As well as examining documents, inspection visits must also include examination of how the project is being managed as a whole and in particular for compliance with all the conditions of grant set out in the offer letter including any attachments or subsequent amendments to it. The visits should cover:

the practical application and effectiveness of the management and control systems, for an adequate number of accounting records, the correspondence of those records with supporting documents held by intermediate bodies, final beneficiaries and the bodies or firms carrying out the operations,

the presence of a sufficient audit trail, for an adequate number of expenditure items,

that the nature and timing of the relevant expenditure comply with Community provisions and correspond to the approved specification of the operation and the works actually executed,

that the use or intended use of the operation is consistent with the use described in the approved application for ERDF funding,

that the ERDF financial contributions are within the limits provided for in Article 51 of the General Structural Funds Regulation, the intervention rates set out in the Financial Table and any other applicable Community provisions and are paid to final beneficiaries without any reductions or unjustified delay,

that the appropriate national match funding has in fact been made available,

that the ERDF funded operations have been implemented in accordance with Community rules and policies, including publicity, the rules on competition, on award of public contracts, on environmental protection and improvement and on elimination of inequality and the promotion of equality between men and women and compliance with the terms and conditions of the offer letter including outputs and pre-conditions etc.

D.1.1 (ii) Guidelines and operational issues

5% Sample

A minimum of 5% of eligible expenditure must be examined so as to:-

- a) verify the effectiveness of the management and control systems in place;
- b) verify selectively on the basis of risk analysis, expenditure declarations made at the various levels concerned.”

The minimum 5% inspection sample must take into account the need to examine an appropriate mix of types and sizes of projects; any risk factors; and the concentration of projects under certain implementing authorities or final beneficiaries. The 5% inspections must cover each year that programme expenditure takes place. The Commission has emphasised the importance of the sample being representative, covering all types, sizes and risk elements of projects. These factors should be built into Project Financial Monitoring and Inspection Strategy.

The objective of risk analysis is to direct audit resources to high-risk areas and projects whilst also ensuring adequate coverage of lower risk areas. Risk can be considered in two categories:

Inherent risk – the risk related to the nature of the activities and management structures that errors will occur; and

Control risk – the risk that internal controls will fail to prevent, detect and correct errors that do occur

Different approaches to risk analysis can be used depending on the sophistication of the information system available. Where detailed information on risks associated with individual operations is not available, a more global approach to risk analysis can be used. This may involve identifying risks associated with the main implementing bodies and final recipients, the complexity of the rules and structure of a particular measure, and the overall level of Community assistance. The high-risk priorities or measures having been distinguished, sampling should then be carried out on the basis of the assessed level of risk but taking account of the requirement for the sample to be representative.

In more sophisticated computerised systems which have an integrated risk register, with risk factors recorded at individual operation level, it should be possible to combine the risk analysis function and the sampling of projects to ensure that the sample gives adequate consideration of risk and representativity.

In assessing risk, the track record of the applicant, the nature of the project and the amount of grant/total project value are all factors that should be taken into account. A simple risk assessment proforma is attached to this guidance note. The EC audit manual also gives useful guidance on how risk can be assessed and reflected in the selection of the projects to be visited.

Those managing programmes with large numbers of projects may choose to approach risk assessment by focusing initially on the project applicant. This is acceptable as long as it does not obscure the risk posed by individual projects which by their nature are high risk even though they may be managed by an otherwise 'low risk' applicant.

It is vital that whatever system for assessing risk is used, provision is made for those officials with knowledge of the applicant and/or project to feed in their views to those doing the assessment of risk. Examples include: a low risk rating generally applied to local authority applicants may not be appropriate where it is known a specific local authority has lost experienced staff or is having other difficulties in its administration - or staff may have information about a project which conflicts with its reputation among finance colleagues for submitting well documented and accurate grant claims. In both cases the additional information provided might prompt a higher risk rating.

The 5% inspections must be carried out on the original documentation wherever that is held in a project. If the project applicant does not hold the original documents, the inspections must be extended to grant recipients.

Calculating the 5% sample

The 5% should be applied to the total eligible expenditure for "each form of assistance". Only expenditure declared up to the date of the inspection can potentially be counted, not later expenditure for the same project. Audits by the Commission or the European Court of Auditors cannot be counted. In planning the implementation of the inspection strategy the total for eligible expenditure should be taken from the most recent financing plan that has been agreed with the Commission. This is intended to take account of indexation and the performance reserve.

However, the Commission stipulates that sampling should be spread evenly over the lifetime of the programmes, but in proportion to the amounts actually paid. The simplest way to achieve this is to ensure that a minimum 5% sample is drawn from expenditure declared for each year of the programme.

There is no requirement to check 5% of eligible expenditure in each measure within a programme although sampling should aim to take at least some samples from each over the lifetime of the programme concerned.

The purpose of inspection is to verify the effectiveness of the systems in use in the project and to verify expenditure declarations that have been made. Verification of systems points toward spreading the sample of checks at random over a number of claims. Verifying expenditure declarations implies that the selected transactions making up an individual claim must be checked back to primary documentation.

Once a project has been selected for inspection by the application of the criteria set out in the monitoring strategy, a detailed examination of all transactions within a single selected claim (or claims) made by that project will be the most effective way of meeting both inspection objectives. Supporting documents should as a rule be checked 100%. However, where there are large numbers of similar and repetitive supporting documents such as invoices or proofs of

payment it is accepted audit practice to check a random sample of adequate size rather than 100%. The sampling method and confidence level attained should be recorded in the audit report in such cases. However, if the check reveals errors the sample should be widened to establish how widespread these are, following normal national auditing procedures.

The amounts of expenditure counted toward the 5% total may include all the expenditure making up a claim from which a satisfactory sample of primary documentation has been examined (i.e. not just the expenditure actually included in the sample). Such checking should be done 'on the spot' (i.e. at the project concerned) as part of an inspection visit. This is not intended to prevent documentation being checked, exceptionally, 'offsite' where there is no other practical option available.

D.1.1 (iii) Procedures

The Regulations require satisfactory monitoring and inspection controls (not just visits) to cover at least 5% of total eligible expenditure and a representative sample of projects and delivery organisations. This is to ensure an even spread of controls and project type (size, risk, etc) covering the life of a programme. It also requires that the main implementing authorities and financial beneficiaries are visited at least once before programme closure and that the selection process is fully documented to demonstrate the methodology and coverage.

Risk will be assessed on the track record of the applicant, the nature of the project and the amount of grant/total project value. The Regulations call for checks to verify the application and effectiveness of management and control systems, to reconcile records with supporting documents held by intermediate bodies and final beneficiaries as well as those organisations carrying out the operations, and that projects have been implemented in accordance with community regulation within agreed limits and with no delay.

During the course of the detailed inspections of projects, the following areas are subject to close attention:

- Project progress and continuing relevance to the Operational Programme
- Physical monitoring – building, plant & machinery
- Management and control systems
- Record keeping - invoices/receipts, separately identifiable and reconcilable
- Awareness of document retention regulations
- Timesheets, payroll documents
- Publicity
- Procurement
- Environmental sustainability, innovation and equal opportunities
- Duplication and overlap of funding streams
- Outputs: quantified, within eligible areas, usage, progress towards targets
- Match funding/income
- Eligibility and timing of spend; leasing; retentions
- State aids
- Contractual commitment
- Excess profits
- Prompt and regular claiming and payment
- Costs incurred and settlement of debt
- Partial cost allocations
- Asset retention & registers

Viability and ongoing applicant and project viability checks
Commercial rates applied
Arms length relationships
Reason for any variation on start/completion dates
Reason for any variation between forecasts/actual breakdown of eligible costs
Reason for any variation between forecast/actual outputs and are there any other benefits not originally included
What system is in place to measure standardised outputs and how often is it carried out?
Value for money
Any changes to scale, nature, timing, ownership?
Contributions in kind
Where more than one organisation is involved in the delivery of the project, how well are they working together?
VAT – irrecoverable?
Marketing/adequate marketing budget
Audit – if considered appropriate, sample checking of documentation and cross referencing to bank statements may be useful.

Investigations will need to check if problems are of a systematic nature and to look at causes as well as putting forward plans for corrective and preventative action. The issues can, however, be more efficiently addressed to a lesser or greater degree, depending on the track record of the applicant or the perceived risk of the project, and on a one off basis, periodically or continuously, again based on risk of the applicant or the weeks of the completion of the inspection. The agreed action points will need to be implemented by the project. The opportunities to undertake repeat inspections to poorer applicants will be taken but there will also be pressure not to contract with such organisations if their performance does not improve within agreed targets.

D.1.1. (iv) Operational materials (sample forms, tables etc.)

See following pages

5% - Example of Risk Assessment

AUDIT TESTING STRATEGY: PROJECT SELECTION

RISK FACTORS

<u>Category</u>	<u>Risk</u>	<u>Description</u>	<u>Score</u>
(a) Project eligible spend See Note 1.	Low	Less than €100k	1
	Medium	Equal to €100k but less than €500k	2
	High	€500k and greater	3
(b) Type of provider	Low	Local authority /Government agencies	1
	Medium	FE/HE Institutions	2
	High	Other e.g.private companies, voluntary sector, etc	3
(c) Track record	Low	Good e.g claims accurate and prompt, no problems identified by GO visits, outputs being achieved, etc.	1
	Medium	Adequate e.g. most claims accurate and prompt, minor problems identified by GO visits, etc	2
	High	Poor e.g claims inaccurate and/or consistently late, major problems identified by Art 4 visits, poor performance by sponsor on other/previous projects, etc.	3
(d) Overall Risk	Low		3-4
	Medium		5-6
	High		7-9

Example

A project with total expenditure eligible for ERDF of €1m is managed by a local authority. A recent visit by the Art 4

monitoring team found a number of major problems, including claims based on estimates rather than defrayed expenditure and the inclusion of ineligible items. The project was assessed as ' high risk' as follows:-

(a) Project eligible spend	3
(b) Type of provider	1
(c) Track record	3
(e) Overall Risk	7
	HIGH

Notes:

1. The values may need to be varied to reflect the circumstances of individual RDAs. For example, a project with an eligible spend of €100k may be relatively large in one of the smaller RDAs.

5% SAMPLE – PROGRESS RECORD

MA/IB: _____

Date: _____

(1)	Total Eligible Expenditure Per Year	5% of Column 2	Amount of Eligible Expenditure checked to date	Column 4 as % of column 3
	(2)	(3)	(4)	(5)
	Year 1			
	Year 2			
	Year 3			
	Etc			
	Year 1			
	Year 2			
	Year 3			
	Etc			
	Year 1			
	Year 2			
	Year 3			
	Etc			

□ Column 1 - name programme /sub-programme for which a 5% sample is required.

- ❑ Column 2 - total eligible expenditure planned to be spent over the lifetime of each programme/ sub-programme included in Column 1 – broken down for each year where expenditure is planned.
- ❑ Column 3 - 5% of the total planned eligible expenditure per year – in effect this is the target figure for each programme/ sub-programme we should be aiming to deliver.
- ❑ Column 4 – total annual eligible expenditure to date, checked against the annual target (col 3).
- ❑ Column 5 – Column 4 as a percentage of Column 3 which gives the progress made toward the target figure for each year.

Template of the monitoring **or inspection** record

Reference Data

Programme	
Date of Visit	

Project Details

Project Title	
Reference Number	
Priority	
Measure	
Contact Person/ Organisation	

Personnel Present during Visit

Name	Job Title

Project Timeline

Start Date (offer letter)	
Actual Start Date	
Completion Date (offer letter)	
Anticipated Completion Date	
<u>Reasons for Slippage</u>	
Implications	
Action to be taken	

Expenditure

	<u>Offer Letter</u>	<u>Claimed to date</u>	<u>Final Expected</u>	<u>Difference</u>
<u>Eligible Expenditure</u>				
<u>Structural Funds</u>				
<u>Implications</u>				
<u>Actions to be taken</u>				

Project Management and Administration

Are the systems to ensure the effective implementation of the project in place as stated in the application? Detail any alterations

Financial Management

What arrangements are there to control and monitor project expenditure? Detail any problems.

Physical Progress and indicators

Comment on evidence, quality and eligibility of outputs/ impacts

Partnership

<i>What role has each partner actually played in the implementation of the project?</i>			
<u>Partner</u>	<u>Funding Only</u>	<u>Contributions to Output</u>	<u>Indirect Support</u>

Linkages

Provide details of how this project has integrated with other publicly funded projects, how this has benefited the project and what future linkages are planned

Publicity

Has the project fulfilled its commitment to publicise the EU's contribution to this project as stated in the application? Check evidence of this

Tendering and Procurement Procedures

Has the applicant adhered to public procurement regulation? Check evidence of this

Horizontal Themes

Horizontal Theme Indicators – has the applicant agreed a set of horizontal theme outputs and results, have they the necessary systems in place, are they recording them in the correct way? etc.

Check on key horizontal theme aspects of application – are they delivering? (i.e. where they state that they will do x where possible)

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Due to the inclusion of the horizontal themes in the programme, has the applicant done more on these areas than they may normally have done (i.e. is there any added value)? Give details.

Has the applicant encountered any barriers to addressing the horizontal themes? Give details.

Checklist of documentation

General Records

Criteria	Evidence Required	To check	Satisfactory	
			Yes	No
Project Specification & Workplan	<ul style="list-style-type: none"> Detailed written plan of the project, Feasibility Study, surveys agrees with application Includes specific measurable objectives 	All		
Project Management	<ul style="list-style-type: none"> Minutes of Board/ management meetings Progress reports Computerised systems & procedures Tender documents Other documentation such as HSE records, disaster recovery plan, marketing plan etc Organisation Chart 	Sample		

Outputs

Physical Progress	<ul style="list-style-type: none"> Relevant records for the output/result (eg payroll details in case of job created) 	All		
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	<ul style="list-style-type: none"> Monitoring information 			
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Publicity

Criteria	Evidence Required	To check	Satisfactory	
			Yes	No
Levels of Publicity	<ul style="list-style-type: none"> Letterheads, stationery, website Billboards Recruitment material 	Sample		

Financial Records - Income

Criteria	Evidence Required	To check	Satisfactory	
			Yes	No
Match Funding	<ul style="list-style-type: none"> Receipt of match funding in accounts Back-up evidence eg remittance advice, bank statements 	All		
Match Funding in kind	<ul style="list-style-type: none"> How is this made up Detailed audit trail eg payroll records, apportionment 	All		
Contributions in Kind	<ul style="list-style-type: none"> 			
De-minimis State Aid (if applicable)	<ul style="list-style-type: none"> Offer letter Details of all public financial assistance received by applicant over the past 3 years Detailed records of aid received 	All		
Revenue Income (if any)	<ul style="list-style-type: none"> Items in books of accounts showing revenue income 	All		
Private Income (if any)	<ul style="list-style-type: none"> Items in books of accounts showing private income (check that this is not ineligible) 	All		

Financial Records - Expenditure

Criteria	Evidence Required	To check	Satisfactory	
			Yes	No
Project direct costs	<ul style="list-style-type: none"> Items in main books of accounts, showing total of project direct costs 	All		
Project direct costs	<ul style="list-style-type: none"> Schedule of direct costs by headings shown in application Audit trail to original documentation eg invoice, travel expense claims 	Sample		
Staff wages/salary costs	<ul style="list-style-type: none"> Salary records broken into actual costs per staff member Apportionment of staff time to project Payroll and Timesheet 	All		

Overhead costs	<ul style="list-style-type: none"> Working papers showing source of overhead costs & how these are charged to the project Written methods of apportionment 	Sample		
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Financial Records - General

Criteria	Evidence Required	To check	Satisfactory	
			Yes	No
Regular management accounts prepared	<ul style="list-style-type: none"> Budgets & financial statements 	Most recent		
Financial performance being monitored	<ul style="list-style-type: none"> Financial reports with variance analysis 	All		
Audit	<ul style="list-style-type: none"> Copies of latest audited accounts Any other audits i.e. annual audit 			

Good Practice

Are there any examples of good practice that could be publicised or promoted?

General Comments

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Action Points

Summary of action points along with deadline for response and name of person who is responsible for the action

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WARNING

This document is not a definitive implementation manual for the ROP 2007-2013.

It is intended only as a basis for producing that manual once the ROP itself is further advanced and key decisions have been made about its implementation. It also aims to anticipate likely changes in the new Structural Funds regulations for 2007-2013, but will need to be revisited once these regulations are approved.

The document has been produced almost entirely using existing Structural Fund guidance from EU Member States, as well as adapting certain Phare ESC EDIS procedures.