

# Department of Enterprise, Trade & Employment

## Circular No. ESF/PA/1-2001

31 July 2001

### **FINANCIAL MANAGEMENT AND CONTROL PROCEDURES FOR THE EUROPEAN SOCIAL FUND (ESF) 2000-2006**

## **1. Background**

The purpose of this circular is to advise NDP/CSF Managing Authorities and Departments with delegated Managing Authority functions, of their financial management & control responsibilities relating to the implementation of ESF co-funded operations over the period 2000-2006.

The regulatory framework for Member States management and control systems is laid down in Council Regulation (EC) 1260/99 (Articles 38 and 39 in particular). Article 38.1 states, inter-alia, that “...*Member States shall take responsibility in the first instance for the financial control of assistance*”. This Article goes on to detail the types of steps which Member States must take in this regard. Article 39 confers on Member States the initial responsibility for investigating irregularities and making any appropriate financial corrections. The provisions of Council Regulation (EC) 1260/99 are supplemented by Commission implementing Regulations (EC) 438/2001 and 448/2001. This circular sets out the requirements of the above-mentioned Regulations and how they are to be implemented in Ireland.

## **2. General Responsibilities**

Under Article 34 of Council Regulation (EC) 1260/99, Managing Authorities have primary responsibility for the proper implementation, financial management and control of co-funded operations. In this regard, they are responsible for ensuring that the Regulations governing the Funds' operations are circulated to all Intermediate Bodies and final beneficiaries implementing co-funded measures under their Programme. Regulations are available on the **CSF Website** “[www.eustructuralfunds.ie](http://www.eustructuralfunds.ie)”. Furthermore, Managing Authorities shall ensure that adequate guidance is provided to Intermediate Bodies and final beneficiaries in order to ensure the proper application of these regulations. Formal confirmation of this will be required on an annual basis in the format specified in Form A, attached to this circular. The initial Form A report shall be supplied to the relevant Paying Authority by 30 September 2001. Subsequent reports shall be provided each year by 31 December. Copies of this circular and of the reporting forms are available on the CSF Website (address as above) and on the **Department of Enterprise, Trade & Employment Website** “[www.entemp.ie](http://www.entemp.ie)”.

Questions regarding the interpretation of EU regulations should at all times be addressed, through the Managing Authorities, to the Paying Authority.

Managing Authorities are required to ensure that the systems are in place to implement the statutory financial management and control obligations relating to ESF expenditure. Specifically in relation to systems, Managing Authorities must certify, by way of ensuring proper completion of Forms B1, B2 and B3 (attached) that:

- responsibilities in the context of project/measure<sup>1</sup> implementation are formally documented at the various levels i.e. Paying Authority, Managing Authority, intermediate Bodies and Final Beneficiaries<sup>2</sup>;
- the conditions set out in the formal grant approval agreement between the Intermediate Body, the Final Beneficiary and/or the Final Recipient, concerning the implementation of the co-financed operation are being observed;
- procedures covering on-going monitoring and physical implementation are being applied by way of formalised spot-checking;
- the operation is being implemented in accordance with the eligibility rules specified in Commission Regulation (EC) 1685/2000 (see Documents ESF/PA/2-2001 and ESF/PA/3-2001 for ESF-specific rules to be applied in Ireland);
- the requirements of Commission Regulation (EC) No 1159/2000 of 30 May 2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds are being observed;
- the operation is being implemented in accordance with the principles of sound financial management as specified in Commission Regulation 438/2001 (which replaces Regulation (EC) 2064/97);
- expenditure reported can be shown to have been incurred by the final beneficiary or, where applicable, the final recipient, within the eligibility dates specified in the most recent Commission Decision for the Programme;
- the intended purpose of the Operation is consistent with the objectives of the relevant EU Programme;
- EU Requirements with regard to State Aids<sup>3</sup>, Public Procurement, Environmental Protection and Equality of Opportunity are

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<sup>1</sup> Hereafter referred to as “operations”, meaning any project, measure or action carried out by the final beneficiary

<sup>2</sup> As defined in the Programme Complement for the Measure concerned.

<sup>3</sup> Including rules on the cumulation of Aid

- being observed;
- there has been no overlapping of EU aid for the operation;
  - separate documentation and bank accounting systems (or an adequate accounting code) are being maintained for the project;
  - evidence of receipt of funding by the final recipient of the grant is available<sup>4</sup>;
  - all supporting documentation has been retained in accordance with Article 38.6 of Council Regulation (EC) 1260/99 (i.e. for three years after the closure of the Programme);
  - a clear audit trail exists from individual payments by final recipients (including invoices and application forms) back to the summary details given in the expenditure declarations made by the designated Paying Authority<sup>5</sup> to the Commission.

The financial records of implementing agencies at all levels should, therefore, be sufficiently detailed to provide the type of audit trail required. An indicative description of audit trail information is provided in Annex 1 to Commission Regulation (EC) 438/2001 (attached at Appendix 1).

### **3. Procedures for drawdown of ESF from the Commission**

#### **3.1 Certification**

In order to draw-down funding, all expenditure being reported must be certified as eligible before making an expenditure declaration to the Commission, i.e. *ex-ante*.

The Bodies involved in the day-to-day management of Operations will be responsible for the certification process. A reporting format has been introduced to certify that sound and efficient financial management and control procedures are in place and that an adequate audit trail exists. There are three function levels involved in this process:

- Final Beneficiaries, i.e. the Bodies commissioning operations and/or implementing the activity (Level 1);
- Intermediate Bodies (all public or private bodies or services acting under the responsibility of Managing or Paying Authorities or performing tasks on their behalf in relation to final beneficiaries or the bodies or firms carrying out operations (Level 2) and;
- Managing Authorities/delegated Managing Authorities (Level 3).

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<sup>4</sup> Except in the case of pre-agreed funding models

<sup>5</sup> The Department of Enterprise, Trade & Employment for the ESF

The administrative unit responsible for the relevant areas of operations should, where possible, reconcile their expenditure records with those of the Accounts/Finance Unit before reporting to the next level.

Level 1 will be responsible for reporting and certifying the accuracy, actuality and eligibility of the expenditure to Level 2. In certain cases where the Measure covers a series of individual projects, the Form B1(attached) must be accompanied by a schedule indicating project title and reference, the total eligible expenditure being reported and the associated ESF grant amount. Each expenditure report forwarded from Level 1 must be accompanied by a completed Form B1 and project schedule, where appropriate.

Level 2 will be responsible for aggregating information coming from Level 1. This level will certify that management and control procedures described in the reporting Body's procedural manual (consistent with the guidance set out in Appendix 3 of Circular ESF/PA/1-2001) are in place at level 1 and that steps (including sample checking of information at level 1) have been taken to give reasonable assurance that the amount of expenditure returned is correct, before certifying and reporting the expenditure to Level 3. Each expenditure report forwarded from Level 2 must be accompanied by a completed Form B2 (attached).

Level 3<sup>6</sup> will be responsible for aggregating information coming from Level 2, where appropriate. This level will certify that management and control procedures described in the reporting Body's procedural manual (consistent with the guidance set out in Appendix 3 of Circular ESF/PA/1-2001) are in place at level 1 and that steps (including sample checking of information at level 2) have been taken to give reasonable assurance that the amount of expenditure returned is correct, before certifying and reporting the expenditure to the Paying Authority. When declaring expenditure to the Paying Authority, the Managing Authority will be required to draw up and submit a statement of expenditure in the form prescribed at Annex 2 of Commission Regulation 438/201, as per attached Form C. This should accompany the Form B3 (attached).

In the event of an arithmetical error being discovered following an expenditure declaration to the Commission a note, clearly identifying the error and the adjustment made, should be attached to the subsequent expenditure declaration.

Certification reports should be accessible to the ESF Financial Control Unit, Internal Audit Units at each level, the European Commission, the European Court of Auditors and the relevant National Authorities.

### **3.2 Applications for Interim Payments**

Notwithstanding the 7% payment on account automatically advanced by the Commission, following the approval of Programmes, interim payments will be made by the Commission based on certified expenditure incurred at final recipient level.

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<sup>6</sup> In cases where some Managing Authority responsibilities are delegated to an Intermediate Body, there will be a Level 3.1 (Delegated Managing Authority) and a level 3.2 (Co-ordinating Managing Authority).

Interim payment claims will be made to the Commission, in batches, up to three times a year, the last application being presented no later than 31 October of each year.

Payment applications to the EU for interim payments of Structural Fund expenditure will be based on the statement of expenditure reports (Form C) and the Form B Certification reports. Form C statements of expenditure should relate to expenditure incurred (paid) since the previous application for an instalment of Structural Fund expenditure was forwarded to the Paying Authority.

**Requests from Managing Authorities for the drawdown of Structural Funds commitments which are not supported by Forms B and C will not be processed.**

**Failure to comply with the above procedures may lead to the suspension of Structural Funds assistance.**

### **3.3 N + 2 rule**

Article 31 of Council Regulation (EC) 1260/1999 provides that *“The Commission shall automatically decommit any part of a commitment which has not been settled by the payment on account, or for which it has not received an acceptable payment application by the end of the second year following the year of the commitment....; the contribution from the Funds to that assistance shall be reduced by that amount”*. This is commonly known as the N+2 Rule.

In practice this means that the Commission’s 2000 Structural Funds budget commitment<sup>7</sup> (allocation) must be claimed in full by the end of 2002. Any portion of this commitment, remaining unclaimed at the end of 2002, will be automatically decommitted by the Commission and lost to Ireland. The N+2 rule is a rolling process and applies equally to the 2001 commitment, which will have a 2003 deadline for payment application, and for each successive year’s commitment.

### **3.4 Verification**

#### **3.4.1 Internal Audit Units**

The system-based audits required under Article 10.1(a) of Commission Regulation (EC) 438/2001 will be performed by the Internal Audit Units at each level within the cascades of bodies implementing co-financed measures. If not already in place, an Internal Audit Unit, functionally independent of the Structural Fund operational areas, should be established within the various Bodies. Alternatively, external auditors may be appointed to perform this task. As well as complying with EU Regulatory Requirements, audit work will be carried out in line with national/international standards.

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<sup>7</sup> less any advance paid by the Commission

### **3.4.2 ESF Financial Control Unit**

The ESF Financial Control Unit has responsibility for the audit of ESF expenditure to comply with the provisions of Articles 10, 11, 12 and 14 of Commission Regulation (EC) 438/2001. With regard to Article 10.2, the Unit has responsibility for the conduct of the minimum 5% audit of expenditure. These audits will be undertaken from Paying Authority level down through the cascade to Final Recipient level.

The Financial Control Unit will also examine financial management, control and system procedures to ensure that these are adequate. Any systems deficiencies identified will require urgent remedial action. The onus for the introduction, maintenance and operation of satisfactory control procedures for co-financed activity under each Programme is, however, the absolute responsibility of the Managing Authority and there can be no derogation from this responsibility.

The audit reports of both Units will be conveyed to the Managing Authority for the Programme concerned, the Paying Authority and the European Commission. The Court of Auditors will also have access to these reports.

**(Appendix 2 outlines the certification and verification structures and specifies where responsibility for these lies).**

## **4. State Aids**

Managing Authorities should ensure that the State Aid procedures laid down in relation to the Operational Programme are carried through in full. Managing Authorities should also ensure that measures are in conformity with the relevant State Aids table in the Operational Programme in question. This table should be up-dated as necessary and the Commission and Paying Authority notified accordingly.

## **5. Public Procurement**

Managing Authorities should ensure that operations are in compliance with all public procurement requirements. Public procurement guidelines are available on the Public Sector Procurement website: [www.e-tenders.ie](http://www.e-tenders.ie). The EU procurement directory can be accessed under the rules and guidelines on the EU procurement website [www.simap.eu.int](http://www.simap.eu.int) (linked to the public sector website).

## **6. Information and publicity**

It will be the responsibility of each Managing Authority to ensure that the information and publicity requirements of Commission Regulation (EC) No 1159/2000 are met. The Programme Complement for each of the Operational Programmes comprises a set of Measure Sheets. Each Measure Sheet makes specific provision for publicising the EU's contribution to the measure. The EU and National Development Plan logos must be on all publicity material, application forms, letters of offer or grant approval as

well as on signs for projects as required under the Commission Regulation on Information and Publicity. In addition publicity material should include the required textual references acknowledging the role of the EU structural funds and the agreed textual acknowledgement for the NDP in the funding of the operation. Information and publicity costs are eligible for ESF co-funding and can be charged to the relevant project/measure allocations. Measure level publicity is the responsibility of the relevant Intermediate Bodies. Advice in implementation can be obtained from the NDP/CSF Information Office (Tel: 01-639 6280, e-mail [csfinfo@csfunits.irlgov.ie](mailto:csfinfo@csfunits.irlgov.ie)).

It should be noted that compliance with Commission Regulation (EC) No. 1159/2000 will be examined during all audits of co-funded expenditure and that failure to comply with the provisions of this Regulation may lead to financial corrections under Commission Regulation (EC) 448/2001.

## **7. Financial Corrections**

### **7.1 General**

Article 39 of Regulation (EC) 1260/99 and Commission Regulation (EC) 448/2001 provide the legal basis and set out the procedures for making financial corrections to assistance granted under the Structural Funds. The amount of the financial correction will be assessed, wherever possible, on the basis of individual cases and will be equal to the amount of expenditure wrongly charged to the Funds in the cases concerned. However, it may not always be possible to quantify the precise amount of Structural Funds incorrectly paid out. In such cases, it may be disproportionate to cancel the entire expenditure in question and the Commission may have to determine corrections on the basis of extrapolation or by way of flat rates (Article 4 of Commission Regulation (EC) 448/2001 as follows):

(a) in the case of extrapolation, the Commission may use a representative sample of transactions with like characteristics;

(b) in the case of a flat rate, the Commission will assess the importance of the infringement of rules and the extent and financial implications of the irregularity established.

### **7.2 Systemic Irregularities**

Deficiencies identified in Member States' financial management and control systems (systemic irregularities) may be subject to financial corrections (Article 39.1 of Council Regulation (EC) 1260/1999 and Article 2 of Commission Regulation (EC) 448/2001). A systemic irregularity is a recurrent error due to serious failings in management and control systems which could lead to irregular expenditure of the Funds.

Financial corrections are determined in accordance with the seriousness of the deficiency in the management and control system or the individual breach and the financial implications of the irregularity. **A list of what the Commission considers to be key and ancillary elements of systems for the purpose of assessing the seriousness of deficiencies is outlined at Appendix 3.**

### **7.3 Net reduction of EU funding**

When irregularities, leading to financial corrections, are discovered by the Commission under Article 39(3), this may lead to a **net reduction** of the EU funding involved – i.e. the amount of funding involved will be lost to Ireland. In cases where irregularities are detected by the Member State under Article 39(1) of Regulation 1260/99, the funding involved may be taken from the Operation in question but may be re-allocated to another Operation – i.e. there is no net loss to Ireland.

## **8. Irregularity Reporting**

The Department of Finance is responsible for reporting any irregularities to the European Commission and, in carrying out this function will require reporting of such irregularities on a quarterly basis from the Paying Authorities, based on information provided through the Managing Authorities. The basis for reporting irregularities is as set out in Article 3 of Commission Regulation (EC) 1681/94. The Paying Authorities<sup>8</sup> will have overall responsibility for financial corrections and recoupment of amounts incorrectly paid. However, this function may be delegated to the Managing Authorities.

## **9. Debtors Ledger**

The Managing Authority will be responsible for the amounts recoverable from payments of Structural Funds already made and for ensuring prompt recovery. The Managing Authority shall provide to the Paying Authority an up-to-date statement of amounts awaiting recovery on a regular basis<sup>9</sup> and at least by 31 December each year, classified by the year of initiation of the recovery proceedings. To this end, the Managing Authority shall maintain a detailed and regularly reconciled record of amounts (debtors ledger).

## **10. Annual Reports**

Under Article 37 of Council Regulation (EC) 1260/99, it is the responsibility of the Managing Authority to submit the annual report to the Commission within six months of the end of each full calendar year of implementation. Article 37 of Council Regulation (EC) 1260/99 describes broadly the type of information required in the report.

**The latest annual report is also required by the Commission before interim payments can be made (Article 32.3 (a) of Council Regulation (EC) 1260/1999).**

## **11. Procedures Manual**

To overcome any weakness in the area of financial management and control of the Funds, detailed Procedures Manuals should be prepared - and reviewed regularly – by the Managing Authorities. The Procedures Manual shall give details of responsibilities, tasks and procedures for personnel involved in the implementation of EU co-financed activity. The Procedures Manuals should comply with the systems guidance set out in Appendix 3. These should be available for inspection by the

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<sup>8</sup> for ERDF, ESF, EAGGF & FIFG

<sup>9</sup> to be determined by the Paying Authority

Paying Authority, the ESF Financial Control Unit, the Internal Audit Units, the European Commission and the European Court of Auditors.

## **12. Programme of Structural Funds Audits under Bilateral Administrative Arrangements**

An annual audit programme of ESF expenditure will be agreed with the Commission by both the Head of the Internal Audit Unit of the Department of Enterprise, Trade & Employment and the Manager of the ESF Financial Control Unit, in consultation with Paying Authorities, Managing Authorities and the relevant Internal Audit Units. These audit programmes will cover the requirements of Article 10 of Commission Regulation (EC) 438/2001.

## **13. Annual Financial Management and Control Statements**

In compliance with Article 13 of Commission Regulation (EC) 438/2001, Member States are required to report to the Commission, by the 30<sup>th</sup> June each year, on the application of Articles 10-12 of that Regulation for the previous calendar year. In addition, they must provide any necessary completion or updating of the description of their management and control systems as communicated under Article 5. This will be the responsibility of the Paying Authority, based on information supplied by the Financial Control Unit, the Internal Audit Units and the Managing Authorities.

## **14. Declaration at Winding-up of Assistance**

Under Article 38.1(f) of Council Regulation (EC) 1260/99, a declaration must be drawn up by a person or Department independent of the designated Managing Authority, at the time of Programme closure. In accordance with the above-mentioned requirement and in accordance with Art. 15 of Commission Regulation No. (EC) 438/2001, this declaration will be completed, for ESF expenditure, by the Head of the Internal Audit Unit of the Department of Enterprise, Trade & Employment and shall summarise the conclusions of the checks carried out during previous years. The declaration will also assess the validity of the application for payment of the final balance and the legality and regularity of the transactions covered by the final certificate of expenditure.

## **15. Conclusion**

Conformity with this Circular and with the relevant EU Regulations is obligatory. Failure to abide by the financial management and control procedures outlined above may lead to the deferment or cancellation of Structural Funds assistance.

Departments should ensure, therefore, that the introduction of procedures necessary to conform with the terms of this Circular and the relevant EU Regulations is urgently addressed.

**Managing Authorities are required to ensure that all Intermediate Bodies and final beneficiaries, which are responsible for implementing ESF co-funded activity in their Operational Programmes, comply with the binding requirements**

**of this Circular. Managing Authorities will be requested to demonstrate to the Paying Authority the steps they have taken to this end.**

Any queries with regard to the terms of this Circular should be addressed to the ESF Paying Authority at 01-631 3201 or 01-631 3341.

Sean Gorman  
Assistant Secretary

## **APPENDIX 1**

### **INDICATIVE DESCRIPTION OF INFORMATION REQUIREMENTS FOR A SUFFICIENT AUDIT TRAIL (Annex 1 of Commission Regulation (EC) 438/2001)**

A sufficient audit trail, as referred to in Article 7(2), is present when, for a given assistance:

1. Accounting records kept at the appropriate management level provide detailed information about expenditure actually incurred in each cofinanced 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 cofinanced operation, the accuracy of the allocation of the expenditure between the operation cofinanced 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 cofinanced in the operation are also kept at the appropriate management level.
4. For declaring expenditure actually incurred in cofinanced 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 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 paying authority, the detailed statements of expenditure referred to in paragraph 4 constitute supporting documentation for the accounting records of the paying authority, which is responsible for drawing up the 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 totals 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.



## **Management and Control Systems**

### **A. Commission Regulation (EC) 438/2001**

Article 3 of the above Regulation states that:

“The Management and control systems of managing and paying authorities and intermediate bodies shall, subject to proportionality in relation to the volume of assistance administered, provide for:

- (a) a clear definition, a clear allocation and, as necessary to ensure sound financial practice, an adequate separation of functions within the organisation concerned;
- (b) effective systems for ensuring that the functions are performed in a satisfactory manner;
- (c) in the case of intermediate bodies, reporting to the authority responsible on the performance of their tasks and the means employed.”

Article 4 continues:

“Management and control systems shall include procedures to verify the delivery of the products and services co-financed and the reality of expenditure claimed and to ensure compliance with the terms of the relevant Commission decision under Article 28 of Regulation (EC) No. 1260/99 and with applicable national and Community rules on, in particular, the eligibility of expenditure for support from the Structural Funds under the assistance concerned, public procurement, State aid (including the rules on the cumulation of aid), protection of the environment and equality of opportunity.

The procedures shall require the recording of verifications of individual operations on the spot. The records shall state the work done, the results of the verification and the measures taken in respect of discrepancies. Where any physical or administrative verifications are not exhaustive, but performed on a sample of operations, the records shall identify the operations selected and describe the sampling method.”

### **B. Key and Ancillary elements of proper Management and Control Systems**

Management and control systems for the Structural Funds consist of various elements or functions of greater or lesser importance for ensuring the legality, regularity and eligibility of expenditure declared for co-financing. For the purpose of assessing flat

rate corrections for deficiencies in such systems or individual cases of irregularity, the Commission has classified the functions of management and control systems into key and ancillary elements (see below - Extracted from Commission Guidelines on Financial Corrections).

**Key elements** are those designed and essential to ensure the legality and regularity and the substance of operations supported by the Funds.

**Ancillary elements** those that contribute to the quality of a management and control system and help ensure that the system keeps performing well in relation to its key functions.

## **1. Key elements for ensuring eligibility for cofinancing**

### **1.1 Provision and application of procedures for grant applications, appraisal of applications, selection for funding and selection of contractors/suppliers.**

- (i) proper advertisement of calls for applications in accordance with programme procedures
  - compliance, where applicable, with rules on publicity, equality of opportunity and public procurement, and with Treaty rules and principles of transparency, equality of treatment and non-discrimination where EC public procurement directives are not applicable;
- (ii) appraisal of project applications in accordance with programme criteria and procedures, including compliance with rules on environmental impact assessment, equality of opportunity legislation and policies;
- (iii) selection for funding :
  - applications selected correspond to objectives and published criteria of programme;
  - reasons for acceptance or rejection of applications are clearly set out;
  - observance of state aid rules;
  - observance of eligibility rules;
  - inclusion of terms and conditions of funding in approval decision;
- (iv) selection of contractors/suppliers in according with public procurement rules;

### **1.2 Adequate verification of actual delivery of products and services and of the eligibility of expenditure charged to programme**

This will entail, at Managing Authority and Intermediate Body levels:

- (i) verifying the reality of “deliverables” (services, works, supplies, etc.) against plans, invoices, acceptance documents, experts’ reports, etc., and, where appropriate, on the spot;
- (ii) verification of observance of conditions of grant approval;
- (iii) verification of eligibility of amounts claimed;
- (iv) adequate follow-up of all outstanding questions before acceptance of claim;
- (v) maintenance of an adequate and reliable accounting system;
- (vi) maintenance of the audit trail at all levels from final beneficiary or body or firm carrying out operation up through the system.

## **2. Ancillary elements**

- (i) satisfactory administrative controls in the form of standard checklists or equivalent means and proper documentation of results, to ensure for instance :
  - that claims have not been paid before and transactions (contracts, receipts, invoices, payments) are separately identifiable;
  - reconciliation within the accounting system of declarations and expenditure recorded;
- (ii) proper supervision of payment processing and authorisation procedures;
- (iii) satisfactory procedures to ensure proper dissemination of information about EU rules;
- (iv) ensuring timely payment of Community funding to beneficiaries.

Data provided in this context should, in particular, show:

1. The procedures/systems involved and the unit responsible for their implementation;
2. The documents which have been created, the data systems used and the unit responsible for these;
3. The management and control systems in existence for financial data flows; who audits them and how the findings are reported;
4. Who audits co-funded expenditure and how are the results reported.

All possible weaknesses, risks or irregularities identified in the implementation process should also be reported and proposals to address these should be provided.

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