

F252/48/01

27 July 2001

**CIRCULAR 34/2001:FINANCIAL MANAGEMENT AND CONTROL PROCEDURES FOR THE
EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF) 2000-2006**

Secretary General

1. Background

I am directed by the Minister for Finance to advise NDP/CSF Managing Authorities and implementing Departments of their financial management and control requirements relating to the implementation of ERDF co-funded assistance over the period 2000-2006. In particular, this Circular sets out the mandatory procedures to be followed by the Operational Programme Managing Authorities and by Implementing Bodies in relation to (i) processing and certification of claims for ERDF payments and (ii) institution of required financial control systems.

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. The purpose of this circular is to set out how the requirements of the above-mentioned Regulations 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, final beneficiaries/grant approving bodies implementing co-funded measures under their Programme. Regulations are available on the CSF Website “**www.eustructuralfunds.ie**”. Furthermore, Managing Authorities shall ensure that adequate guidance is provided to Intermediate Bodies, final beneficiaries and where appropriate, grant approving bodies in order to ensure the proper application of these regulations. **Formal confirmation of this guidance 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 by the Managing Authority to the ERDF 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).

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 systems are in place to implement the statutory financial management and control obligations relating to ERDF expenditure. Specifically in relation to systems Managing Authorities must certify through completion of Forms B1, B2 and B3 (attached to this Circular) that:

- responsibilities in the context of project/measure¹ implementation are formally documented at the various levels i.e. Paying Authority, Managing Authority, Intermediate Bodies and Final Beneficiaries²/Grant Approving Bodies;
- the conditions set out in the formal grant approval agreement between the Intermediate Body, the Final Beneficiary/Grant Approving Body 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
- 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;
- expenditure reported can be shown to have been incurred by 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, Public Procurement, Environmental Protection and Equality of Opportunity are 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;
- 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);

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

² As defined in the Programme Complement for the Measure concerned

- 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 Authority³ 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 the drawdown of ERDF

3.1 Certification

In order to draw down funding, all expenditure being reported must be certified (via Form B1, B2, B3 and C attached) 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, in the first instance, 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/Grant Approving Bodies - 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 (Level 3).

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 (Final Beneficiary/Grant Approving Body) will be responsible for reporting and certifying the accuracy, actuality and eligibility of the expenditure to Level 2 and for completing Form B1. This form can be completed in respect of expenditure at project or aggregated to measure/sub measure level. It is a matter for each Managing Authority, in consultation with the Paying Authority, to decide the format to be used. Where the latter option is chosen the Form B1 must be accompanied by a schedule indicating the project title and reference, the total eligible expenditure being reported and the associated ERDF grant amount. Each expenditure report forwarded from Level 1 must be accompanied by a completed Form B1 and project schedule, as appropriate.

Level 2 (Intermediate Body) will be responsible for aggregating expenditure information coming from Level 1, reporting and certifying expenditure to Level 3 and completing Form B2. This form can be completed at measure or priority (sub-programme) level and should be accompanied by a schedule indicating the projects/measures (as appropriate) and Form B1 references, the total eligible expenditure being reported and the associated ERDF grant amount. This level will certify that the management and control procedures described in the reporting body's Procedural Manual, are in place at level 1 and that steps (including sample

³ The Department of Finance

checking of information at level 1) have been taken to give reasonable assurance that the amount 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 and appropriate schedule.

Level 3 (Managing Authority) will be responsible for aggregating expenditure information coming from Level 2 up to Programme level and completing Form B3. This form should be accompanied by a schedule indicating the priorities (sub programmes) and Form B2 references, the total eligible expenditure being reported and the associated ERDF grant amount. This level will certify that the management and control procedures described in the reporting body's Procedural Manual, are in place at level 2 and that steps (including sample checking of information at level 2) have been taken to give reasonable assurance that the amount 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 (EC) 438/201- as per Form C attached. This should also accompany the Form B3.

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 ERDF & Cohesion Fund Financial Control Unit, Internal Audit Units at each level, 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. 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) in the period since the previous application for an installment 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 commitment⁴ (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.

Managing Authorities will have overall responsibility for identifying underspends in their Programmes and notifying the Paying Authority in sufficient time to enable appropriate action to be taken in order to prevent the loss of funding under the N+2 Rule. However, the Intermediate Bodies and Implementing Bodies will have in practice the primary function of identifying underspends in the measures from which they are drawing funding and immediately notifying the relevant Managing Authority.

3.4 Verification

3.4.1 Internal Audit Function

The system-based audits required under Article 10.1(a) of Commission Regulation (EC) 438/2001 will be performed by the Internal Auditor 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.

3.4.2 ERDF & Cohesion Fund Financial Control Unit

The ERDF & Cohesion Fund Financial Control Unit has responsibility for the audit of ERDF expenditure to comply with the provisions of Articles 10, 11, 12 and 14 of Commission Regulation (EC) 438/2001. The Unit has sole responsibility for the conduct of the minimum 5% audit of ERDF expenditure required under Article 10. 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 by the Internal Audit Units or the Financial Control Unit 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 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 results.

Appendix 2 outlines the certification and verification structures to be put in place and specifies where responsibility for these lies.

⁴ less any advance paid by the Commission

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. This table should be updated as necessary and the Commission and the 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.gov.ie”. EU Procurement Directives can be accessed under the Rules and Guidelines on the EU procurement website “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) 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 displayed in 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 text 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 ERDF co-funding and can be charged to the relevant operation allocation. Each Operational Programme includes in its Technical Assistance Measure a budget to cover costs of information and publicity at OP level. Measure level publicity is the responsibility of the relevant Intermediate Bodies. Advice in implementation can be obtained from the NDP/CSF Information Office (telephone 6396280 or e-mail address csfinfo@csffunds.irlgov.ie).

It should be noted that compliance with Commission Regulation (EC) 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 Council 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) of Council Regulation (EC) 1260/99, this may lead to a net reduction of the EU funding involved - i.e. the amount of the funding involved may be lost to Ireland. In cases where irregularities are detected by the Member State under Article 39(1), 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 will be 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 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 basis⁵ 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 reconcile the 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

⁵ to be determined by the Paying Authority

implementation. Article 37 of Council Regulation (EC) 1260/99 describes the 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 refers)

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 Paying Authority, the ERDF & Cohesion Fund 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 ERDF expenditure will be agreed with the Commission by

- the Head of the Internal Audit Unit, Department of Finance and other Heads of Internal Audit Units in relation to systems audits, and
- the Head of the ERDF & Cohesion Fund Financial Control Unit, in consultation with Paying Authorities, Managing Authorities and the relevant Internal Audit Units in relation to systems and expenditure transactions.

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 30th 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 Article 15 of Commission Regulation (EC) 438/2001 this declaration will be completed, for ERDF expenditure, by the Head of the Internal Audit Unit of the Department of Finance. The declaration 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/grant approving bodies, which are responsible for implementing ERDF co-funded activity in their Operational Programmes, comply with the 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 on the terms of the Circular should be addressed in the first instance to Brian Humphreys (telephone 6045721, e-mail address Brian_Humphreys@finance.irlgov.ie) or Simon McGrath (telephone 6045723, e-mail address Simon_McGrath@finance.irlgov.ie).

Aidan Dunning
Assistant Secretary

Appendix 1

INDICATIVE DESCRIPTION OF INFORMATION REQUIREMENTS FOR A SUFFICIENT AUDIT TRAIL (Article 7 and 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:

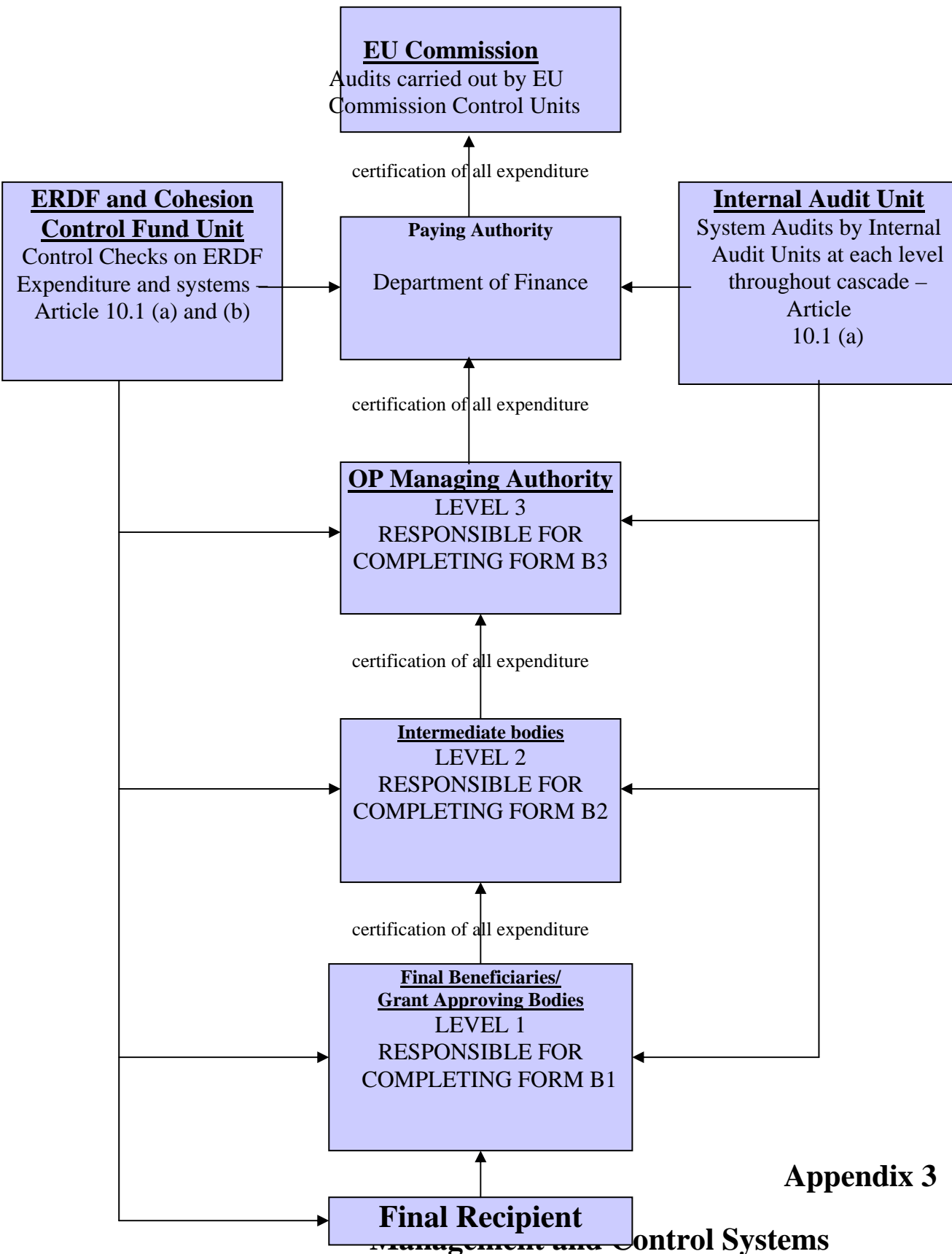
1. Accounting records kept at the appropriate management level provide detailed information about expenditure actually incurred in each co financed operation by final beneficiaries including, where the latter are not the final recipients of funding, the bodies and firms carrying out the operations. The 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 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 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.

Proposed ERDF Financial Controls In Ireland

Structure of financial controls to comply with Commission Regulation (EC) 438/2001 - Article 10.1 (a) and 10.1 (b) – and the Protocol on Internal Audit (IA) co-operation



Appendix 3

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.

Key elements (see below) are those designed and essential to ensure the legality and regularity and indeed the substance of operations supported by the Funds.

Ancillary elements (see below) 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 co-financing

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.

Form A

**Compliance with Structural Funds Regulations
and Associated Commission Decisions**

I confirm that my Department and all Agencies/Bodies involved in the implementation of co-funded operations have received copies of and are bound by Finance Circular 34/2001 and the terms of the following Regulations, Decisions etc., governing the administration of the European Regional Development Fund (ERDF).

- General Regulation:
Council (EC) No. 1260/99 of 21 June, 1999, laying down General Provisions on the Structural Funds.
- ERDF Regulation:
Regulation (EC) No. 1783/99 of the European Parliament and of the Council of 12 July 1999 on the European Regional Development Fund..
- Council Regulation (EC Euratom No.) 2988/95 on the protection of the European Communities Financial Interests.
- Council Regulation (Euratom, EC) No. 2185/96 concerning on-the-spot checks and inspections carried out by the Commission to protect the European Communities financial interests against fraud and other irregularities.
- Commission Regulation (EC) No. 1681/94 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the structural policies and the organisation of an information system in this field.
- Commission Regulation (EC) No. 438/2001 of 2 March, 2001 laying detailed rules for the implementation of Council Regulation (EC) No. 1260/99 as regards the management and control systems for assistance granted under the Structural Funds.
- Commission Regulation (EC) No. 1685/2000 of 28 July 2000 laying down detailed rules for the implementation of Council Regulation (EC) No. 1260/99 as regards eligibility of expenditure of operations co-financed by the Structural Funds.

Commission Regulation (EC) No. 448/2001 of 2 March, 2001 laying down detailed rules for the implementation of Council Regulation (EC) No. 1260/99 as regards the procedure for making financial corrections to assistance granted under the Structural Funds.

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.

2000-2006 Community Support Framework for Ireland.

Commission Decision(s) in respect of the Operational Programme(s) for which your Department has responsibility.

Secretary General _____

Department of _____

Date _____

FORM B 1

CERTIFICATION REPORT

OPERATIONAL PROGRAMME / COMMUNITY INITIATIVE

FUND: ERDF

Reporting period from/...../200... to/...../200...

Programme/Community Initiative Title: _____

Final Beneficiary/Grant Approving Body (L1)**: _____

Intermediate Body (L2)*** : _____

Managing Authority (L3): _____

Measure/Sub measure Title: _____

Name of Project (if applicable) : _____

EU Payment Amount being Claimed: _____

Project/Sub-Measure/Measure level (delete which ever is inappropriate)

Total eligible certified expenditure returned previously to/...../200... €	Certified eligible expenditure for this period/...../200.. to/...../200... €	Cumulative certified eligible expenditure/...../200... to/...../200... €

As per supporting project schedule attached (when completed at Sub-Measure/Measure level)

* The Intermediate Body will insert reference when it receives a copy of Form B1.

** The body which first receives, approves and processes a grant claim.

*** An Intermediate Body means 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 (this can include implementing bodies).

Please confirm that:

Level 1

- | | Tick box | For confirmation |
|---|--------------------------|------------------|
| 1. Expenditure on the measure/operation is consistent with the provisions of Commission Regulation (EC) 1685/2000 (eligibility criteria) | <input type="checkbox"/> | [_____] |
| 2. The intended purpose of the measure/operation is consistent with the objectives of the above-named programme/initiative | <input type="checkbox"/> | [_____] |
| 3. The payment application for EU recoupment is based on eligible expenditure actually paid out by the final recipient and supporting documentation is available | <input type="checkbox"/> | [_____] |
| 4. The expenditure for which recoupment is sought has been paid within the eligibility period for the programme/ Initiative | <input type="checkbox"/> | [_____] |
| 5. EU State Aids, public procurement, environmental protection and equality of opportunity requirements and Regional aid rates, as appropriate, have been observed | <input type="checkbox"/> | [_____] |
| 6. EU publicity requirements are being observed, including at final recipient level i.e. in conformity with Commission Regulation (EC) 1159 /2000 (information & publicity) | <input type="checkbox"/> | [_____] |
| 7. Physical and financial progress is being monitored including on the spot site inspection where appropriate | <input type="checkbox"/> | [_____] |
| 8. There has been no overlapping of EU aid for the operation | <input type="checkbox"/> | [_____] |
| 9. A separate accounting system or an adequate accounting code is being maintained for all transactions relating to the operation | <input type="checkbox"/> | [_____] |
| 10. Evidence of receipt of funding by the final recipient of the grant is available | <input type="checkbox"/> | [_____] |
| 11. Details of the underlying transactions are recorded, where possible, on computer files and are available on request to the Commission Services responsible and national authorities | <input type="checkbox"/> | [_____] |
| 12. A satisfactory audit trail exists i.e. in conformity with Annex I of Commission Regulation (EC) 438/2001. | <input type="checkbox"/> | [_____] |
| 13. All original supporting documentation will be retained in accordance with Article 38(6) of Council Regulation (EC) 1260/99 i.e. for three years after the closure of the programme | <input type="checkbox"/> | [_____] |

14. Expenditure has been reconciled between the administrative unit and the accounts/finance unit and any differences explained [_____]

Have any financial control weakness, risk or irregularities
Been identified in the execution of the project(s)? Yes / No
[] []

If yes, please specify:

What corrective action has/will be taken

Specify the controls applied to guarantee valid certification:

LEVEL 1

I certify that the controls listed from 1 to 14 above have been performed and on that basis the eligible expenditure returned is correct.

Report Prepared by: _____ **Final Beneficiary/** _____ **Date:** _____
(Certified) **Grant Approving Body**

Countersigned by: _____ **Final Beneficiary/** _____ **Date:** _____
(Validated) **Grant Approving Body**

When completed, this report and project schedule (as appropriate) should be returned to the Intermediate Body and a copy retained.

*MANAGING AUTHORITY

REF. NO [_____]

FORM B 2

CERTIFICATION REPORT

OPERATIONAL PROGRAMME / COMMUNITY INITIATIVE

FUND: ERDF

Reporting period from/...../200.. to/...../200...

Programme/Community Initiative Title: _____

Intermediate Body (L2)**: _____

Managing Authority (L3): _____

Priority (Sub-programme) Title: _____

Measure Title: _____

EU Payment Amount Claimed: _____

Measure/Priority(Sub-programme) level (delete which ever is inappropriate)

Total eligible certified expenditure returned previously to/...../200.... €	Certified eligible expenditure for this period/...../200.. to/...../200.... €	Cumulative certified eligible expenditure/...../200.. to/...../200... €

As per supporting schedule of certification reports (Forms B1).

Please confirm that:

LEVEL 2 - INTERMEDIATE BODY

Tick box for Confirmation

1. Management and control procedures in accordance with the reporting body's Procedural Manual are in place at level 1. [_____]

* The Managing Authority will insert reference when it receives a copy of Form B2.

** An Intermediate Body means 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 (this can include implementing bodies)

2. Steps, including sample checking of information at level 1, have been taken to give reasonable assurance that the amount returned is correct and the working papers are available for inspection. [_____]

Have any financial control weakness, risk or irregularities
Been identified in the execution of the project(s)? Yes / No
[] []

If yes, please specify:

What corrective action has/will be taken

Specify the controls applied to guarantee valid certification:

LEVEL 2

We certify that requirements 1 and 2 have been complied with and on that basis are satisfied that the eligible expenditure is correct.

Report Prepared by: _____ **Intermediate Body** _____ **Date:** _____
(Certified)

Countersigned by: _____ **Intermediate Body:** _____ **Date:** _____
(Validated)

When completed, this report and appropriate schedule should be returned to the Managing Authority for the Programme and a copy retained

FORM B 3

CERTIFICATION REPORT

OPERATIONAL PROGRAMME / COMMUNITY INITIATIVE

FUND: ERDF

Reporting period from/...../200... to/...../200...

Programme/Community Initiative Title: _____

Managing Authority: _____

EU Payment Amount being Claimed: _____

Programme level

Total eligible certified expenditure returned previously to/...../200... €	Certified eligible expenditure for this period/...../200... to/...../200... €	Cumulative certified eligible expenditure/...../200... to/...../200... €

As per supporting schedule of certification reports (Forms B2).

Please confirm that:

LEVEL 3 - MANAGING AUTHORITY

Tick box for Confirmation

- | | | |
|---|---------|----|
| 1. Management and control procedures in accordance with the reporting body's Procedural Manual are in place at level 2. | [_____] | 1. |
| 2. The amount being claimed is in accordance with the latest financial tables. | [_____] | |
| 3. Steps, including sample checking of information at level 2, have been taken to give reasonable assurance that the amount returned is correct and the working papers are available for inspection | [_____] | |
| 4. The up-to-date Programme Complement has been presented to the Commission | [_____] | to |
| 5. The latest annual implementation report has been forwarded to the Commission | [_____] | |
| 6. A debtor's ledger is being maintained, in accordance with paragraph 9 of Finance Circular 34/2001. | [_____] | |

Have any financial control weakness, risk or irregularities
Been identified in the execution of the project(s)?

Yes / No
[] []

If yes, please specify:

What corrective action has/will be taken

Specify the controls applied to guarantee valid certification:

LEVEL 3

We certify that requirements 1 to 6 have been complied with and on that basis are satisfied that eligible expenditure is correct.

Report Prepared by: _____ **Managing Authority** _____ **Date:** _____
(Certified)

Countersigned by: _____ **Managing Authority:** _____ **Date:** _____
(Validated)

When completed, this report and sub programme schedule should be returned to the Structural Funds Division, Department of Finance, 73-79 Lower Mount Street, Dublin 2 and a copy retained.

