PROCEDURES TO MEET THE REQUIREMENTS OF ARTICLE 4 OF EC REGULATION NO 438/2001

Introduction

1. Commission Regulation (EC) No. 438/2001 details the rules for the implementation of Council Regulation (EC) No 1260/99 with regard to the management and control systems for grant assistance under the Structural Funds.

2. Article 4 of EC Regulation No 438/2001 stipulates that Member States shall organise checks on operations designed in particular to:

   a. verify the delivery of products and services funded by EU Funded (i.e. projects and schemes).

   b. 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. ensure compliance with the terms of Article 28 of EC Regulation 1260/99.

   d. 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.

3. The procedures must include the review of individual operations on the spot. The records must state the results of the visits and the measures taken in respect of discrepancies.

4. Therefore, the checks necessitate an on-site visit to projects by designated Monitoring Officers. The main objectives of the visits are as follows:

   a. to seek assurance that systems are in place to enable the effective financial administration of projects.

   b. to ensure that grant payments can be supported by original invoices, or other acceptable documentation, to demonstrate transparency and ensure a clear audit trail exists.

   c. to ensure that systems are in place to record the information required for progress development e.g. Letters of Offer, Section 75, NTSN and Publicity.

d. to ensure that projects are progressing satisfactorily.

e. to ensure that, where appropriate, promoters are carrying out Article 4 checks on 3rd Party projects.

Selection, Timing and Arrangement of Visits

5. All projects should be visited at least once in their lifetime by their respective Intermediate Body. Initial visits should be used to assess the level and reliability of the processes proposed. Further visits may be necessary to validate and assure Intermediate Bodies of the robustness of the processes – this will be for individual Intermediate Bodies to determine depending on the nature of the project and previous findings. The first visit should not be too early in the start of the project as it may not be possible to form an opinion on the systems in place conversely it should not be at too late a stage that if records are poor there is insufficient time to put things right.

6. Visits should be prioritised taking account of the projects grant allocation, previous progress reports and claims history/accuracy.

7. In order to have successful visits, it is vital that key members of staff involved in the project are available during the monitoring visit. Therefore, visits should be arranged at a time convenient to the Implementing Body or Project where possible. Otherwise, the proposed date should be notified in writing 2 weeks in advance. In any case a letter should issue which includes details of the scope of the visit, invoices and expenditure to be verified.

Purpose of Monitoring Visits

8. The aims of the on-site monitoring visits are:

   a. To ensure that the project conforms to the work plan and content as agreed in the application/ offer letter and is progressing as stated in the last claim;

   b. To identify possible problems as early on as possible and make suggestions for improvement measures;

   c. To identify successful elements of the project for possible use in the common publicity efforts and to share best practice;

9. To satisfy the aims and objectives, information must be gathered on the financial and administrative systems in operation within the project. Original documentation must be inspected to support these processes and the associated expenditure. Documentation examined should be detailed in the project checklist or Test Sheets.

The appropriate approved Monitoring Checklist must be completed for each visit.

The Monitoring Visit

10. For project monitoring, the areas/items to be inspected should be selected where possible prior to the visit and copied or faxed to the project to enable the promoter to gather the necessary documentation prior to the visit. It is not normally necessary to select all items on a claim form for inspection. Selection should take account of materiality, previous claims and progress report history and should be sufficiently thorough to provide an assurance that the project's systems are robust, their transactions transparent and they satisfy the conditions of their Letter of Offer and therefore the EC Regulations.

11. The Monitoring Officer may also use the visit to discuss ongoing problems re: financial claims, progress reports etc.

12. When inspecting documents the main financial aim is to ensure that they are original and there is a clear audit trail from the claim form to the documentation and ultimately to bank statements or payroll. All documents examined should be recorded on the Test Sheet. The main administrative aim is to ensure that progress, as stated in the progress reports, is satisfactory and that systems are in place to record and maintain appropriate information.

13. The most common documents inspected for the financial verification are invoices. However, many others will arise according to the nature of the project and diversity of expenditure. These may include salaries, travel expenses, time sheets and diary entries. The administrative monitoring will examine evidence of progress to date and check that monitoring systems are in place to record information including the environment and equal opportunities. Copies of publicity material should be requested to ensure that reference has been made to European Funding and that the correct logo is visible.

14. Payment should not, of course, be made until expenditure has been incurred and is deemed eligible. All items selected for inspection must therefore be checked to ensure eligibility and that expenditure has been incurred before inclusion in claim forms.

15. When the Monitoring Officer is content, each document must include the date and his/her signature. This records that the items have been inspected and found to be in order.

16. If a project is unable to provide a requested document on the day of the visit, the reason should be noted and a timescale agreed for presentation - 2 weeks is normally reasonable. If, on receipt, the Monitoring Officer is satisfied with the document he/she should affix the stamp and return to the project without delay.

Projects that are complete

17. Where projects have closed, Project Officers should examine the records of the project – these have to be kept by the applicant for at least 3 years after the final payment on the programme has been received from the European Commission (current advice is to retain documents in respect of BSP to at least 2013. For PEACE II and Interreg IIIA the date is 2015).

Monitoring Visit Format/Logistics

18. In addition to checking the physical existence of the project, the visits can also be used to collect more detailed data than is available from the applicant's claims reports, to provide a thorough check of progress against targets and to check that the applicant is providing accurate information. It should be remembered, however, that the onus is on the applicant to provide basic monitoring information and that visits should not be seen as the primary method of obtaining data that would more sensibly be included in their regular claim reports.

19. If possible try to meet some of the recipient/beneficiaries.

20. 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.

21. Monitoring visits must be undertaken down to final recipient level.

Reporting

22. Once the Article 4 monitoring visit has been completed and all relevant documentation is received, the Monitoring Officer should then correlate all the information relating to the visit and prepare the formal "Monitoring Report" within 10 working days. The template report should be used.

23. The following information should be passed to the Monitoring Officer's line manager for review:

    a. Monitoring Checklist

b. Monitoring Report including Recommendations

24. The Monitoring report relating to the visit, including recommendations should be issued to the relevant Measure leader in the Implementing Body or to an appropriate level within the organisation depending on the nature of the findings.

Follow-up Action

25. The Measure Leader/Member of personnel to whom the Monitoring Report has been issued will consider the recommendations made by the Monitoring Officer and liase with the relevant Implementing Body for advice/clarification as required. The Recommendations Sheet should subsequently be returned to the Monitoring Officer detailing within the proposed remedial action and timescale for implementation.

26. It is the Measure Leader's responsibility to ensure that all remedial action is taken.

27. Details of all Article 4 visits should be recorded on the Central Database. This information will be used by the Managing Authorities to ensure compliance with Programme Implementation but can also be used by the independent Verification (Article 10) Team to assist in their selection of projects for additional monitoring.

28. The attached checklist (Annex A) is deemed to be the minimum required to satisfy the requirement of Article 4 of Regulation (EC) 438/2001.

CSF Managing Authority

October 2007

ANNEX A

ARTICLE 4 MONITORING – EC REGULATION NO 438/2001

CHECKLIST

Programme / Priority / Measure	
Project Title	
Project Ref No	
Date of Visit	
Monitoring officer	
Location of Visit	
Name of Contact	

PROJECT DETAILS

Brief Project Description	
Date of Letter of Offer	
Level of Grant approved	
Total Project Expenditure	
Total Eligible Expenditure	
Grant Paid to Date	
Period of Funding	

		YES	NO	N/A	COMMENT	ACTION REQUIRED
1.	Has an application/business plan been properly completed?					
2.	Has the selection and approval of the project been handled in accordance with procedures?					
3.	Has the process of selection been properly documented e.g. minutes of selection panel meeting, scoring sheets etc?					
4.	Has an economic appraisal been undertaken in line with guidance?					
5.	Has a Letter of Offer been issued in accordance with guidance?					
6.	Has the project promoter formally accepted the offer and is the signed acceptance on file?					
7.	Is the Central Database up to date?					

		YES	NO	N/A	COMMENT	ACTION REQUIRED
8.	Are project files up to date and complete?					
9.	Is the project promoter fulfilling their obligations with regard to publicity (EC1159/2000)?					
10.	Are there any good examples of good practice that could be publicised or promoted?					
11.	Is the project promoter fully aware of the need to comply with the obligations in regard to equality of opportunity?					
12.	Is the project having a neutral or positive impact on the environment Developmental Path Assigned 1 2 3 4 5 Circle as appropriate					
13.	Are adequate information and monitoring systems are in place?					

		YES	NO	N/A	COMMENT	ACTION REQUIRED
14.	Are there appropriate systems in place to effect the timely provision of such monitoring and evaluation information on project targets as outlined in the Letter of Offer?					
15.	Are there appropriate arrangements in place to ensure that all original documentation is being retained until 2013 (BSP) and 2015 Interreg IIIa & Peace II?					
	FINANCIAL CHECKS					
16.	Are the Financial procedures implemented by the project adequate?					
17.	Is there a clear audit trail for all costs relevant to the project?					
18.	Are the invoices inspected original, fully detailed and on headed paper?					
19.	Where there are non-invoiced costs are they supported by other relevant official documentation?					

		YES	NO	N/A	COMMENT	ACTION REQUIRED
20.	Are the invoices/documentation endorsed with cheque number when paid?					
21.	Are there procedures in place to avoid items being duplicated in claims?					
22.	Are invoices and other financial records kept in a systematic way?					
23.	Were all inspected items eligible in accordance with the Letter of Offer and eligibility regulations?					
24.	Has any ineligible VAT been included in the claims?					
25.	Have any capital purchases been checked and serial numbers cross-referenced to invoices e.g. machinery, computers etc?					
26.	Has a designated Bank Account been opened, or an adequate codification system put in place, for recording project financial activities?					

		YES	NO	N/A	COMMENT	ACTION REQUIRED
27.	Are cheque books, bank mandates, and original bank statements available?					
28.	Can the receipt of previous grant payments from the Implementing Body be verified?					
29.	Where appropriate are time sheets/expenses forms available? Are these independently signed off?					
30.	Do timesheets examined match diary/attendance records?					
31.	Do payroll records exist for employees recruited using EC Funds?					
32.	Is it possible to verify that the employees exist, where appropriate?					
33.	Where overheads or depreciation have been included have these been calculated on an acceptable and well documented basis?					

		YES	NO	N/A	COMMENT	ACTION REQUIRED
34.	Have claims been submitted in accordance with the Letter of Offer?					
35.	Have goods/services been procured in implementation of the project? If so, have the proper tendering procedures been applied?					
36.	Is the project in receipt of grant from any other EC structural fund?					

SUMMARY OF FINDINGS

Completed By: ____ Date _______________

Reviewed By: ____ Date________________

ADDITIONAL SHEET FOR PEACE II FUNDED PROJECTS ONLY

		YES	NO	N/A	COMMENT	ACTION REQUIRED
37.	Has Part A & B of the application form been properly completed?					
38.	Has the selection and approval of the project been handled in accordance with procedures? (G1)					
39.	Score Did the project score above 65?					
40.	Distinctiveness Has the project achieved the Minimum threshold?					
41.	Does the project in its application address the following:- The legacy of conflict, Taking opportunities arising from Peace, The promotion of peace and reconciliation.					

PROJECT NAME ____

TEST SHEET FOR DOCUMENTATION INSPECTION

REF	DOCUMENT TYPE AND DESCRIPTION	AMOUNT	ORIGINAL AVAILABLE Y/N	RECONCILED TO BANK STATEMENT	NOTES
Claim:					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

Completed By: ____ Date _____________

Reviewed By: ____ Date______________