

**REVISED**

# **PAYING AUTHORITY**

## **OPERATING PROCEDURES MANUAL**

**European Division  
Department of Finance and Personnel**

**March 2007**

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## **1. THE PURPOSE OF THE MANUAL**

This manual has been designed to provide background information on the Paying Authority concept, outline the responsibilities of the Paying Authority and provide generic guidance on the procedures required to fulfil the role of the Paying Authority as required by the Commission Regulations for the period 2000 – 2006.

It is not intended to be definitive since there may be variations in the detail of some procedures in light of Commission Regulations specific to a particular Structural Fund.

The manual will also be subject to change following:

- the issue of new Commission Regulations and/or guidelines;
- implementation of recommendations following inspection visits by the Commission auditors and/or the European Court of Auditors; and
- revised procedures following visits by Departmental Internal Audit staff.

In general, the procedures reflect the requirements laid down in various Commission Regulations – primarily Council Regulation (EC) No 1260/1999 (the general Regulation covering Structural Funds) - and reference will be made to this and other relevant Regulations throughout the document.

The role and responsibilities of the Paying Authority are outlined in more detail in the following section headed 'Background.'

Section 4 provides copies of the current relevant Commission Regulations governing the Structural Funds

A number of proformae have been included as Annexes at the end of the manual and can be used as the basis for establishment of the various systems required to ensure compliance with the relevant Regulations.

This revised Manual replaces that previously issued in October 2004 and reflects the amendments to procedures following the introduction of the computerised system for generation of BSP payment applications (as required by the European Commission) and takes account of revised or additional Commission Regulations.

## **2. ROLE OF THE PAYING AUTHORITY**

### **2.1 BACKGROUND**

The concept of a Paying Authority for the disbursement of Structural Funds in the period 2000 – 2006 was introduced by the European Commission through Article 9 (o) of Regulation 1260/1999 which states:

*“paying authority: means one or more national, regional or local authorities or bodies designated by the Member States for the purposes of drawing up and submitting payment applications and receiving payments from the Commission. The Member State shall determine all the modalities of its relationship with the paying authority and of the latter’s relationship with the Commission.”*

Each of the Structural Funds has a separate paying authority, with the EUD (DFP) Managing Authority having overall responsibility for all Funds.

Paying Authority details are:

<b>ERDF</b>	Department of Finance and Personnel
<b>ESF</b>	Department of Employment and Learning
<b>EAGGF</b>	Department of Agriculture and Rural Development
<b>FIFG</b>	Department of Agriculture and Rural Development

In the Northern Ireland context, the European Union Division (EUD) of the Department of Finance and Personnel (DFP) is regarded as the ‘Member State’ with responsibilities within EUD being divided between staff carrying out the duties of Managing Authority and ERDF Paying Authority.

This complies with the requirements of Regulation 438/2001 and is acceptable to Commission auditors, conditional on a clear separation of functions between staff involved in each paying authority. Details have been supplied to, and accepted by the Commission, under the requirements of Article 5 of the above Regulation.

## **2.2      RESPONSIBILITIES**

Each Paying Authority is responsible for:

- providing payment forecast information to the Commission
- submitting Interim Payment Applications to the Commission
- detailing – at Measure level – recoveries affected before Payment Applications are submitted
- submitting the Final Claim to the Commission
- monitoring the recovery of monies wrongly paid
- applying financial corrections
- conducting verification checks where necessary
- submitting financial data electronically to the Commission
- providing financial information in support of claims submitted as required by Commission auditors

## **3.            OPERATING PROCEDURES**

### **3.1            PAYMENT FORECASTS**

#### **3.1.1        Background**

Article 32 (7) of Commission Regulation (EC) No 1260/1999 states:

*“No later than 30 April each year, the Member State shall send to the Commission their updated forecasts of applications for payment for the current year and the following year.”*

This information is required to enable the European Commission to determine its budget requirements for all Member States for the current and next future year.

#### **3.1.2        Requirement**

The forecast is provided *by Fund* for each Programme and Community Initiative and in Euros, detailing the amount of anticipated eligible expenditure and the amount of Community funding (i.e. Structural Fund allocation). This information must reach the Commission by 30 April each year.

### 3.1.3 Source information

The ERDF Paying Authority collates and provides the information based on input agreed with each of the Fund Paying Authorities, drawn from financing plans submitted by successful applicants in conjunction with the value of Letters of Offer issued and in line with the n+2 targets for each year. Since the forecast must be provided in Euro, a single £ Sterling/Euro conversion rate (usually prescribed by HM Treasury) is used.

The information is provided in the format set out in Table 9 of the Vademecum for Structural Funds and Programming Documents (**see Annex A**).

### 3.1.4 Transfer of information

Forecast details are presently coordinated by the ERDF Paying Authority and forwarded to Department of Trade and Industry (DTI) in London which coordinates for all UK Funds.

The information is also sent direct to the Commission electronically via the SFC database (see Section 3.6).

## **3.2 Interim Payment Applications**

### 3.2.1 Background

Article 32 of Commission Regulation 1260/1999 details the procedures through which the Commission will make payments to the Member State.

Payments will be made by way of:

- Payment on account – 7% of the total value of each Fund and paid when the Commission formally agrees the form of assistance (i.e. adopts the Operational Programme)
- Interim Payments – made to reimburse actual expenditure incurred by the Member State
- Final payment – made after formal closure of the Operational Programme

### 3.2.2 Requirement

Release of the 7% payment on account is automatic on adoption of the Operational Programme and the only input from the Member State is provision of bank details and sample signatures of officials authorised to approve payment applications.

Interim Payment Applications must be presented by the Paying Authority a minimum of 3 times per year, with the final application being submitted no later than 31 October to ensure payment in the current calendar year. Applications can, however, be submitted up to 31<sup>st</sup> December each year to ensure that n+2 targets are

met. Applications must be submitted in Euro (Article 33 of Regulation 1260/1999) with details provided at year and Measure level.

The Commission has stipulated that a number of conditions have to be met before an Interim Payment Application can be accepted.

These conditions are detailed in Article 32 of Commission Regulation 1260/1999 and are reproduced below:

### 3.2.3 Interim Payment Application conditions

- ❑ The programme complement has been presented to the Commission (Managing Authority responsibility)
- ❑ The latest Annual Implementation Report (due by 30 June each year) has been forwarded to the Commission (Managing Authority responsibility)
- ❑ The mid-term evaluation has been forwarded to the Commission (Managing Authority responsibility)
- ❑ Decisions taken by the Managing Authority and Monitoring Committee(s) are consistent with the total allocations to respective priorities
- ❑ Any recommendations by the Commission following receipt of the Annual Implementation Report have been acted upon
- ❑ No suspension of payments has been decided and no infringement procedure has been initiated by the Commission

The Commission will inform the Member State and Paying Authority immediately if any of these conditions are not met when an Interim Payment Application is received.

### 3.2.4 Certification of Expenditure

In order to make a claim to the Commission the Paying Authority must draw up an Interim Payment Application and certify a statement of interim expenditure at Measure level, and on a cumulative basis, in the format specified in Annex II to Commission Regulation (EC) No 438/2001 (**see Annex B**)

Details of all recoveries deducted before submission of the Payment Application must be submitted at Measure level – converted to Euro at the same rate as the Payment Application.

The statement referred to, must be drawn up by a member of staff ‘functionally independent’ of those who approve the claims on which the statement is based.

### 3.2.4 Certification of Expenditure (continued)

Before the Paying Authority certifies a statement of expenditure it must be satisfied that:

- The Managing Authority and Implementing Bodies have ensured that all applicable European Community rules have been complied with and the monies are used in accordance with the principles of sound financial management
- The Managing Authority and Implementing Bodies have taken measures to prevent, detect and correct irregularities
- The conditions detailed in 3.2.3 above have been met
- The statement of expenditure includes only expenditure that has been 'actually effected' (i.e. already paid) within the eligible period and can be supported by received invoices (or other accounting documents of equivalent probative value)
- The expenditure has been incurred in projects selected in accordance with the selection criteria and procedures for the respective Programme and have been subject to European Community rules during the period
- Only expenditure from Measures for which all State Aid has been formally approved by the Commission (where relevant) is included.

### 3.2.5 Source Information

From January 2005 it has been agreed that the Managing Authority will extract eligible expenditure information from the Central Database and have this certified by the relevant Implementing Body / Intermediary Funding Body / Accountable Government Department.

In addition, it is necessary for the Managing Authority to obtain independent certification from Departmental Finance Branches / Intermediary Funding Bodies' finance sections to the effect that expenditure declared has actually been paid during the period in question.

The Managing Authority provides a certificate to the Paying Authority confirming all of the necessary requirements have been met before the Payment Application is prepared.

### 3.2.6 Transfer of Information

When an Interim Payment Application and statement of interim expenditure has been drawn up it must then be signed by the 'authorised signatory' (i.e. the member of staff whose details were provided to the Commission together with bank details –

see 3.2.4 above) and submitted to the Commission. A record of the request must be kept by the Paying Authority (in the form of a debtor account)

The financial details of an Interim Payment Application - at Measure level must also be submitted using the SFC database (see Section 3.6) – with a hard copy subsequently printed and signed before being sent to the Commission. (NB: when sending hard copy Payment Applications, these are addressed to the Directorate General responsible for the Fund in question).

*(It must be noted that the Paying Authority, when signing off an Interim Payment Application, is taking responsibility for the correctness and accuracy of the information it contains and must assure itself on this issue before submission. See Annex C for details of Paying Authority Assurances)*

### **3.3 Final Payment Claims**

#### **3.3.1 Background**

Article 32 of Commission Regulation (EC) No 1260/1999 states that, during the life of Operational Programmes, the total amount paid by the Commission shall not exceed 95% of the funding available. This total is based on the initial 7% and the cumulative value of Interim Payment Applications. The remaining 5% will only be paid by the Commission on receipt of a final report, statement of expenditure and final claim.

#### **3.3.2 Requirements**

The final claim cannot be drawn up until a Programme has formally ended. In the case of the Programme for Building Sustainable Prosperity (BSP) the Programme runs until 2006 (ERDF is 2005) with a further 2 years within which to finalise project spend. There is then a period of six months from this date for the Paying Authority to submit a final payment claim (Article 32 (4) (a) of Regulation 1260/1999). The final payment claim for BSP should therefore be submitted by 30 June 2009 (ERDF by 30 June 2008). Since the EAGGF and FIG Funds in the Peace II Programme end in 2004, project spend should be finalised by 2006 and the final claim submitted by 30 June 2007. Final Claims for ERDF and ESF in Peace II will be required by June 2009.

Additional requirements to be met before this claim is submitted are detailed in paragraphs 4 (b) and (c) of Article 32 above namely:-

- The final report on implementation has been submitted to and approved by the Commission (Managing Authority is responsible for this document)
- The Member State has sent the Commission a statement detailing checks carried out and assessing the validity of the final payment claim (this is drawn up by Departmental Internal Audit Teams).

If amendments are required to the amount of the balance after it has been paid by the Commission, the Paying Authority **must** send an application to the Commission within 9 months of receipt of the final balance.

### 3.3.3 Source Information

The cumulative total of expenditure for the complete period (2000 – 2008 and 2000 – 2006) less the amount already received by way of the 7% advance and Interim Payments will enable calculation of the final balance due.

Before submitting a claim for the final balance, it will be necessary for each Paying Authority to consult with the Managing Authority to ensure that the requirements stated in 3.3.2 above have been met and to confirm that total expenditure declared to the Paying Authority for the period agrees with the amounts stated in the final Implementation Report and certified by the Departmental Internal Audit Teams.

### 3.3.4 Transfer of Information

It is likely that the Final Claim form will replicate the declaration and background information required for the Interim Payment Applications – as referred to in 3.2.4. (**Annex B**) above.

While the claim is submitted to the relevant Directorate General responsible for the Fund (via UKRep, duly signed by the authorised signatory) it must also be submitted electronically using the SFC database (see Section 3.6) with a 'hard copy' signed and sent to the Directorate General. The last claim each year must be posted before 31<sup>st</sup> December.

## 3.4 Financial Corrections

### 3.4.1 Background

Initial responsibility for financial corrections rests with the Member State and usually takes effect when an irregularity is detected. Payments to the project / organisation involved must be stopped – pending a full investigation. Where it is found that monies have been wrongly paid, the amounts in question must be recovered and, dependent upon the nature and gravity of the irregularity – and the financial loss to the funds, the remaining funding may be cancelled. Detailed guidance on recoveries is included in **Annex D**.

The decision to cancel assistance may be taken by the Member State (Implementing Body) or by the Commission – if the irregularity is deemed to be systemic (i.e. an inherent error in the management/control system).

The Paying Authority may also effect financial corrections by suspending the submission of Payment Applications – or elements of Payment Applications at project level (or Measure level) following receipt of information that would raise doubts over the correctness or eligibility of expenditure – for example adverse

reports under Article 10 of Commission Regulation (EC) No 438/2001 that requires a minimum of 5% of all expenditure is checked on a sample basis.

### 3.4.2 Requirements

Commission Regulation (EC) No 448/2001 specifies the procedures for making financial corrections.

Where financial corrections are made by the Member State, details of cancellation proceedings (and steps required and/or taken to adjust management and control systems) are notified to the Commission at the end of each year in a report submitted together with the fourth quarterly fraud and irregularity return coordinated by DFP and in addition to the list of outstanding recoveries.

When funding to a project has been cancelled due to irregularities, the amount cancelled can be re-allocated (but not to the same project). If an irregularity is considered systemic, any funding cancelled cannot be re-allocated to other projects operated in the same way.

If, during an audit visit by Commission personnel, a systemic error is uncovered the Commission will impose financial corrections using one of the following methods of calculation:

- Extrapolation, using a representative sample of transactions with similar characteristics; or
- Flat rate – dependent on the severity of infringement of rules and financial implications of the irregularity.

The Commission may also use the above method for calculating financial corrections where irregularities are detected by auditors other than its own.

Where the Commission concludes that:

- a Member State has not complied with its obligations to investigate irregularities and act upon findings; or
- all or part of a project is not eligible for part or whole funding; or
- there are serious failings in management and control systems which could lead to systemic irregularities

the Commission will suspend Interim Payments and, giving its reasons, request that the Member State submits comments within a specified time.

Full details of the procedures can also be found in Article 39(2) of Council Regulation (EC) No 1260/1999.

### 3.4.3 Source Information

Details of irregularities and amounts involved will be included in quarterly returns submitted by Implementing Bodies to DFP – details of which are also copied to the Fund Paying Authorities.

Any financial corrections applied (details of which should also be included on the proforma) will be noted by the Paying Authority for inclusion in the report referred to in 3.4.2 above.

#### 3.4.4 Transfer of Information

Details of cancellation proceedings initiated and information on steps taken (or required) to adjust management and control systems must be attached to the final quarterly irregularity report each calendar year and sent to the Commission via DTI.

### **3.5 Paying Authority Assurances**

#### 3.5.1 Background

As outlined in Sections 3.2 and 3.3 the Paying Authority must submit a signed declaration to accompany Interim and final Payment Applications. In signing the declaration, the authorised signatory from the Paying Authority is certifying satisfaction that all requirements to justify the claim have been met.

The Commission has indicated that the Paying Authority cannot rely solely on certificates received from Implementing Bodies, but must take steps to ensure independent verification of expenditure.

Such assurances can be obtained through receipt of the results of checks carried out by Verification Teams (Article 10) systems audits (by Departmental Internal Audit Branches) by receipt of the annual financial control report under Article 13 of Commission Regulation (EC) No 438/2001 and / or by way of independent verification checks carried out by the Paying Authority.

#### 3.5.2 Requirements

Each Fund Paying Authority must be provided with a copy of the report resulting from verification visits carried out under Article 10 of Commission Regulation (EC) No 438/2001.

This is an in-depth check based on risk analysis of a representative sample of projects (Article 10).

(NB: in addition, each Paying Authority reserves the right to conduct its own on-the-spot checks – or request Departmental Internal Audit Branches to do so on the PA's behalf).

### 3.5.3 Source Information

Assurances provided by Departmental Internal Audit sections and other bodies carrying out verification visits, annual Article 13 Reports and copies of N.I. Audit Office or Commission audit reports.

### 3.5.4 Transfer of Information

This information must be held by the Paying Authority in the event of a challenge from the Commission regarding a Payment Application submitted. Any information in support of a claim requested by the Commission must be made available within 10 working days from the date of receipt (unless a different timescale is agreed with the Commission).

## **3.6 Electronic Data Transfer**

### 3.6.1 Background

Article 18(1) of Regulation 438/2001 states that *“accounting records shall as far as possible be held in computerised form.”* and Annex IV to the Regulation provides details of the scope of information to be held.

In addition, Article 18(2) of the same Regulation states that *“the Commission shall agree with each Member State the content of computer records to be made available..... the means by which they are communicated, and the length of the period required to develop.....computer systems.”*

The Commission has agreed that, in the absence of computer systems in Member States, financial information can be transferred using the Commission’s own computer system known as the Structural Funds Common (SFC) database.

This system is operated by DG REGIO with other Directorates General having access to extract financial information for their respective areas of responsibility.

### 3.6.2 Requirements

The Commission requires financial information as detailed in Section 3.1, 3.2 and 3.3 to be transmitted – preferably electronically - within the timescales specified.

The structure of the SFC database replicates the tables in the Structural Funds Vademecum and requires input of data to various fields down to Measure level. **Annex E** attached shows details of the SFC tables.

Before financial information in respect of the Sections outlined above can be input, the Community Support Framework, Operational Programme and Programme Complement must have been input, transferred to and approved by the Commission. The Managing Authority is responsible for submitting this information to the Commission.

Access to the Structural Funds database is via the *TESTA II* network and requires the use of a stand-alone PC. (Technical details are available from European Division DFP).

Since the Commission will only action financial information received electronically it is vital that the relevant Paying Authority staff are familiar with the SFC database and competent to input the required information.

Training in the use of the SFC database is provided directly by the Commission through DG EMPLOY.

### 3.6.3 Source Information

Information for input to the SFC database is obtained from the various proforma detailed in each of the relevant Sections above.

Information gathered must be held centrally by the relevant Paying Authority and used for completion of the appropriate fields in the SFC database.

### 3.6.4 Transfer of Information

Within the timescales stipulated, the relevant information must be transferred to the Commission via the SFC database.

## 3.7 Use of the Euro

### 3.7.1 Background

Commission Regulation (EC) No 643/2000 provides instructions on the conversion of Member State currency into Euro for submission of financial information to the Commission.

The Commission will only accept financial information in Euro and the onus is on Member States to ensure the correct conversion using the provisions of the above Regulation.

### 3.7.2 Requirements

All financial information provided to the Commission must be converted to Euro in accordance with Article 2(2) of the above Regulation which states:

*“Member States which do not have the euro as their currency on the date of the payment application shall convert into euro the amounts of expenditure incurred in national currency, applying the rates in force on the last but one working day at the Commission in the month preceding the month during which the expenditure was recorded in the accounts of the paying authority responsible for the contribution concerned.”*

The Commission has confirmed that the Paying Authority, when converting payment applications into euro **must use a single £ Sterling / euro conversion rate** applied as above on the date on which the Paying Authority submits the application.

### 3.7.3 Source Information

Expenditure information extracted from the Central Database (Sections 3.2 and 3.3) is transferred to the payments area of the SFC database after conversion to euro as above. Monthly euro rates are available from website – [http://europa.eu.int/cgi-bin/make\\_inforeuro\\_page.pl?](http://europa.eu.int/cgi-bin/make_inforeuro_page.pl?) then select EN « Access by name of the country » and UK

### 3.7.4 Transfer of Information

Information is submitted as detailed in Sections 3.2 and 3.3.

## 4. **COMMISSION REGULATIONS**

### 4.1 **Structural Fund Regulations**

The following Commission Regulations specify the general requirements for the 2000 – 2006 Structural Funds and have been referred to throughout this manual.

Copies can be downloaded from the Commission’s website on [www.europa.eu.int](http://www.europa.eu.int)

1. *Council Regulation (EC) No 1260/1999* – lays down the general provisions on the Structural Funds
2. *Commission Regulation (EC) No 643/2000* – arrangements for using the euro

3. *Commission Regulation (EC) No 1685/2000 – as amended by Commission Regulation (EC) No 448/2004 -*  
lays down detailed rules for implementation of 1260/1999 regarding eligibility of operations co-financed by the Structural Funds
  
4. *Commission Regulation (EC) No 438/2001 – as amended by Commission Regulation (EC) No 2355/2002 -*  
lays down detailed rules for the implementation of 1260/1999 regarding management and control systems for assistance granted under the Structural Funds
  
5. *Commission Regulation (EC) No 448/2001 – as amended by Commission Regulation 1978/2006*  
lays down detailed rules for the implementation of 1260/1999 regarding procedure for making financial corrections to assistance granted under the Structural Funds
  
6. *Commission Regulation (EC) No 1681/94 – as amended by Commission Regulation (EC) No 2355/2005*  
Irregularities and the recovery of monies wrongly paid in connection with the financing of the structural policies

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## Annex A

**Table 9: Forecasts of applications for payments for Programme Complement**

Commission Reference No of the related OP or SPD: 2000FR161DO001 Year: 2000 Status: Edited

Title: Objectif 1 France - Picardie

Last Modified: 2/2/2000

Reception Date: 01/01/2001

(in euro)

	Total Estimated Eligible Expenditure		Cofinancing of Structural Funds	
	Year n	Year n+1	Year n	Year n+1
Total ERDF related				
Total ESF related				
Total EAGGF related				
Total FIGG related				
Total				

Input Fields

Calculated inside this table

Commission Regulation (EC) No 438/2001  
**CERTIFICATE OF EXPENDITURE DECLARED**

**From: Implementing Body for**

**To: Paying Authority for**

**Period:**

I certify that operations in respect of Measures .....are progressing in accordance with the objectives laid down in the Commission Decision for the BSP Programme **and** generally with the provisions of Regulation (EC) No 1260/1999, but in particular as regards:

- (i) Compliance with the provisions of the Treaty and instruments adopted under it and with Community policies, in particular the rules on competition, the award of public contracts, environmental protection and elimination of inequalities and the promotion of equality between men and women (Article 12 of the Regulation);
- (ii) Application of sound financial management and control procedures to the assistance, in particular to verify the delivery of the products and services co-financed and the reality of expenditure claimed and to prevent, detect and correct irregularities, pursue fraud, and recover unduly paid amounts (Articles 38 and 39 of the Regulation); and
- (iii) Article 38(6) of the Regulation, that the supporting documents are and will continue to be available for a minimum period of three years following payment of the final balance by the Commission. (Details of the underlying transactions are recorded, where possible, on computer files and will be made available on request to the Commission Departments responsible.)

I also certify that the expenditure information in the attached Return

- (i) has been actually effected within the eligibility period and within the meaning of the Rules contained in the Annex to Commission Regulation (EC) No 1685/2000;
- (ii) has been incurred in operations selected for funding under the particular assistance concerned in accordance with its selection criteria and procedures and has been subject to Community Rules throughout the period during which the expenditure was incurred;
- (iii) is from Measures for which all State Aid has been formally approved by the Commission, where relevant (Article 9 of Regulation (EC) No 438/2001.)

- (iv) is accurate and results from accounting systems based on verifiable supporting documents;  
and
- (v) takes account of any recoveries made, when relevant, revenue accruing to operations  
financed under the assistance and interest income;

Signed on behalf of the Implementing Body .....

Position ..... Date.....

**Payments Effected Statement**

I certify that the amounts included in the attached Return were actually paid during the period  
..... to .....

Signed on behalf of finance section which issued payments .....

Position.....

Date.....

## ANNEX II

## CERTIFICATE AND STATEMENT OF EXPENDITURE AND APPLICATION FOR PAYMENT

## EUROPEAN COMMISSION

FUND.....

## Certificate and statement of expenditure and application for payment

(to be sent to unit ... of DG ..... through official channels)

Name of assistance: \_\_\_\_\_

Commission Decision \_\_\_\_\_ of \_\_\_\_\_

Commission reference (CCI) No \_\_\_\_\_

National reference \_\_\_\_\_ (if any)

## CERTIFICATE

I, the undersigned \_\_\_\_\_  
representing the paying authority designated by (\*)\_\_\_\_\_, hereby  
certify that all eligible expenditure included in the attached statement, representing the contributions of the Structural Funds  
and national public and/or private funding, and paid as the assistance has progressed, was paid

after (?):

		20	---
--	--	----	-----

and amounts to:

	EUR
--	-----

(exact amount to two decimal  
places)

The attached statement of expenditure broken down by measure is based on accounts provisionally closed on

		20	---
--	--	----	-----

and is an integral part of this certificate.

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

- (1) compliance with the provisions of the Treaty and instruments adopted under it and with Community policies, in particular  
the rules on competition, the award of public contracts, environmental protection, and elimination of inequalities and the  
promotion of equality between men and women (Article 12 of the Regulation);
- (2) application of management and control procedures to the assistance, in particular to verify the delivery of the products  
and services cofinanced and the reality of expenditure claimed and to prevent, detect and correct irregularities, pursue  
fraud, and recover unduly paid amounts (Articles 38 and 39 of the Regulation).

In accordance with Article 38(6) of the Regulation, the supporting documents are and will continue to be available for a  
minimum period of three years following payment of the balance by the Commission.(\*) Indicate the administrative instrument of designation in accordance with Article 9 of Regulation (EC) No 1260/1999, with appropriate  
references and the date.

(?) Reference date in accordance with the decision, meeting the requirements of Articles 30(2) and 52(4) of the Regulation.

I certify that:

- (1) the statement of expenditure is accurate and results from accounting systems based on verifiable supporting documents;
- (2) the statement of expenditure and the application for payment take account of any recoveries made, when relevant, revenue accruing to operations financed under the assistance and interest income;
- (3) details of the underlying transactions are recorded, where possible, on computer files and are available on request to the Commission departments responsible.

Date

		20__
--	--	------

Name capitals, stamp, position and signature of  
competent authority

Statement of expenditure by priority and measure																
Commission reference No: _____																
Name: _____																
Date: ____ / ____ / ____																
Priority/Measure	Total actually paid and certified eligible expenditure (euro)															
	2000				...				2008				Total			
	Public		Private	Expenditure	Public		Private	Expenditure	Public		Private	Expenditure	Public		Private	Expenditure
	Community	Other public	Community		Other public	Community	Other public		Community	Other public	Community		Other public			
Priority 1																
Measure 1.1																
Measure 1.2																
etc.																
Priority 2																
Measure 1.1																
Measure 1.2																
etc.																
Priority 3																
etc.																
Technical assistance																
Total ERDF related																
Total ESF related																
etc.																
Total																
Total ERDF related																
Total ESF related																
Total EA/GGF related																
Total FIFG related																
Priority/Transitional support (?)																

Priority/Measure	Total actually paid and use of EU budget (approximate figures)															
	2004				2005				2006				Total			
	Public		Private	Regulation	Public		Private	Regulation	Public		Private	Regulation	Public		Private	Regulation
	Community	Other public			Community	Other public			Community	Other public			Community	Other public		
Priority 1 Expenses and revenue (including transition of support) Expenses and revenue (including transition of support)																
Priority 2 Expenses and revenue (including transition of support) Expenses and revenue (including transition of support)																
Priority 3 etc. Excluded activities Expenses and revenue (including transition of support) Expenses and revenue (including transition of support)																

(2) Only for Chapter 1, as of 1. and where applicable for...

**Appendix to statement of expenditure: recoveries effected since the last certified statement of expenditure and included in the present statement of expenditure (listed by measure)**

Amount ordered to be recovered	
Debtor	
Date of issue of recovery order	
Authority which issued recovery order	
Date of recovery	
Amount recovered	

## APPLICATION FOR PAYMENT

Name of assistance: \_\_\_\_\_

Commission reference (CCI No) \_\_\_\_\_

Pursuant to Article 32 of Regulation (EC) No 1260/1999, I, the undersigned (name in capitals, stamp, position and signature of competent authority) request payment of the amount of EUR \_\_\_\_\_ as an interim/final payment <sup>(1)</sup>. This application meets the admissibility requirements because:

## Delete as appropriate

(a) the programme complement in force, adopted on _____	— has been supplied — is enclosed
(b) the latest annual report/final report (delete as appropriate) on implementation required under Article 37 of the Regulation	— has been supplied — is enclosed — is not due
(c) the mid-term evaluation referred to in Article 42 of the Regulation	— has been supplied — is enclosed — is not due
(d) the decisions of the managing authority and the monitoring committee are consistent with the total amount of Fund contribution to the priorities concerned	
(e) any recommendations for improving the monitoring and management arrangements made by the Commission under Article 34(2)	— have been acted upon — explanations have been given — no recommendations made
(f) any requests for corrective measures under Article 38(4) of the Regulation	— have been acted upon — have been commented on — no expenditure included — no requests made
(g) none of the certified expenditure has been suspended pursuant to Article 39(2) of the Regulation	— no suspension — no expenditure included
(h) none of the certified expenditure comes under a measure containing state aid that has not yet been approved	

Payment should be made to:

Beneficiary	
Bank	
Account No	
Account holder (if different from beneficiary)	

Date: 

		20	—
--	--	----	---

Name in capitals, stamp, position and signature of competent authority

\_\_\_\_\_

<sup>(1)</sup> Delete as appropriate.

## ANNEX C

### **PAYING AUTHORITY ASSURANCES (TOWARDS SATISFYING THE REQUIREMENTS OF ARTICLE 9 OF REGULATION 438/2001)**

<b>Requirement</b>	<b>Means of Compliance</b>
Expenditure claimed has actually been paid	Implementing Bodies provide a Certificate – also signed by Departmental Finance Branches (except for Peace II) confirming the value of expenditure actually paid out. Peace II – SEUPB signs declaration that payments are generated from records on the Central Payments' System.
Compliance with Community and national rules	Implementing Bodies also certify that expenditure: has been incurred in operations selected for funding in accordance with selection procedures in accordance with Community rules; and is from Measures for which all State Aid has been formally approved by the Commission
Eligibility of activities in accordance with Commission regulations	Implementing Bodies provide a Certificate confirming: compliance with rules on competition; award of public contracts; environmental protection; promotion of equality between men and women; application of sound financial management and control; and retention of documents for the Regulatory period
Certification required on Application for Payment	The Managing Authority provides a Certificate confirming: date of adoption of Programme Complement; submission of latest Annual Report; submission of mid-term evaluation; implementation of recommendations made by the Commission; action on requests for corrective measures; and that none of the certified expenditure has been suspended also that any Article 10 issues identified have been / are being addressed
Amounts due to Implementing Bodies (Peace II only)	The Managing Authority provides a breakdown by Implementing Body of amounts included in each certificate of expenditure
Independent checks	Article 10 Teams / Verification Units provide the PA with a copy of each report showing any weaknesses identified and any recommendations for corrective action
Annual Assurance	PA receives a copy of the annual Article 13 report providing details of audit activity – including systems audits - in the previous year, Article 10

	checks – including value of declared expenditure checked and overall levels of audit assurance from Heads of Departmental Internal Audit Branches.
Internal Audit Assurance	PA receives copies of Departmental Internal Audit reports on outcome of checks into EU Programme expenditure processes / procedures with details of levels of assurance
Other Audits	Details of findings of Commission audits and European Court of Auditors circulated to PAs together with details of responses, etc
Other sources	Details of 'best practice' documents provided by the Commission and other UK regions circulated to PAs for information

In addition, each Paying Authority reserves the right to conduct any further checks it considers appropriate to provide itself with sufficient assurance as to the correctness of financial information provided for inclusion in payment applications to the Commission.

## ANNEX D

### INSTRUCTION No 1/2006 Revised

**FROM:** CSF MANAGING AUTHORITY

**DATE:** 15<sup>th</sup> March 2007

**TO:** ALL IMPLEMENTING BODIES AND ACCOUNTABLE DEPARTMENTS

### FINANCIAL INFORMATION FOR USE IN PAYMENT APPLICATIONS

#### RECORDING RECOVERIES – USE OF CENTRAL DATABASE

##### Background

The European Commission has issued an instruction that, with effect from the first payment application submitted in 2006, the “Appendix to statement of expenditure” showing recoveries effected must be completed to show the amounts that have been deducted at Measure level before submission of the current payment application.

In the past it has been sufficient to confirm to the Commission that any recoveries had been netted off the payment application before submission, but it is now a requirement to provide details of these amounts by Measure. [These details must also include the sources of Funding \(i.e. EU, public and private elements of the recovery amount\)](#)

##### Procedure

Given the way in which the Central (RMA) Database is currently populated with financial information it is not possible to distinguish between a ‘clawback’ that has been shown against an individual project because of an error during input and a ‘clawback’ that has been made to offset a previous overpayment (i.e. to effect a recovery from the project) or represents a physical repayment received from a project. In addition, in many cases a recovery is affected by simply ‘netting off’ the amount against the next project payment and recording the revised (lower) amount on the database. This does not provide sufficient transparency to enable identification of the amount recovered and the reason for the recovery.

It is therefore necessary to identify separately the amount ‘recovered’ – by whichever of the above means – on the Central Database [showing the breakdown of Funding sources as detailed above](#). If the agreed internal Departmental procedures permit ‘netting off’ amounts from later claims then

the amount 'netted off' must be entered separately as a 'clawback' on the database (with the payment amount adjusted accordingly).

**In all cases the text box associated with a 'clawback' entry must be completed to indicate the reason for the 'clawback' (i.e. input error administrative correction, etc). There will be no exceptions.**

In cases where a 'clawback' represents an amount deducted from a project due to an irregularity or overpayment of a previous claim, the first word to be input in the text box accompanying the 'clawback' must be "**RECOVERY**". Where the entry refers to an irregularity previously *reported* under Regulation 1681/94 the date of original notification of the irregularity must also be entered. Where the entry refers to a *recorded* irregularity (i.e. the amount is below the reporting threshold) the date of recording must be shown.

In this way it will be possible to obtain a report showing the aggregate value of distinct 'clawback' entries that reflect recoveries of project expenditure at Measure level and relate such entries to reported irregularities. Using "**RECOVERY**" as the key word also prevents the production of a report that lists *all* 'clawback' entries which would have the effect of distorting the 'clawback' information and highlighting the number of entries due to reasons other than the recovery of expenditure (i.e. errors during input).

### **Timescale**

This information is required for all payment applications submitted by the Fund Paying Authorities after 1<sup>st</sup> January 2006 and it is therefore vital that all 'clawback' information input by Implementing Bodies / Accountable Departments with effect from the date of this note also includes the entry "**RECOVERY**" where relevant in the text box.

**It must be noted that, while the Commission has accepted claims without this level of detail during 2006, it has confirmed that future claims will be rejected – unless these details are provided.**

**The attached template has been provided by the Commission to indicate the required layout of the recovery information. It is therefore important that all details are also held at Measure level.**

***NB: It will also be necessary to revisit all 'clawback' records entered after 1<sup>st</sup> January 2006 and amend to include a text box entry that accurately reflects those that represent recoveries as outlined above.***

Measure	Total amount deducted from statement of expenditure	Default interest recovered	Private expenditure deducted from statement of expenditure (where private is part of co-financing base)	Total public expenditure recovered	Structural Fund recovered	National public recovered
	(6)=(5)+(4)=(3)	(5)	(4)	(3)=(1)+(2)	(1)	(2)

TOTAL

## ANNEX E

Table 8: Financial Table attached to payment request by priority and measure (multi-fund)

Title:

Commission Reference No related OP/SPD:

Year	Priority / Measure	Total Actually Paid and Certified Eligible Expenditure				Total Expenditure
		Source				
		Community	National Public	Private	Revenue	
2001	1 -					
	1 -					
	2 -					
	3 -					
	2 -					
	1 -					
	2 -					
	3 -					
	3 -					
	1 -					
	2 -					
	Total					
	Total ERDF Related					
2002	1 -					
	1 -					
	2 -					
	3 -					
	2 -					
	1 -					
	2 -					
	3 -					
	3 -					
	1 -					
	2 -					
	Total					
	Total ERDF Related					
2003	1 -					
	1 -					
	2 -					
	3 -					
	2 -					
	1 -					
	2 -					
	3 -					
	3 -					
	1 -					
	2 -					
	Total					
	Total ERDF Related					