

MANAGING AUTHORITY GUIDANCE ON

THE SAMPLING METHODOLOGY TO BE APPLIED TO IGJ ARTICLE 125 ON-THE SPOT  
VERIFICATION CHECKS



**1. Eligible Expenditure**

- 1.1 The sample should be taken from eligible expenditure only, which will be detailed in the project's claim to Invest NI.
- 1.2 Details of any expenditure excluded by the IB will be identified from the claims documents to be provided to the Service Provider.
- 1.3 The relevant checklist must be completed with details of the sample selected. If the SP checks something different or a further sample is checked when on site, details must also be provided.

**2. Sampling Methodology**

- 2.1 Sampling should normally be on a random basis. Where a non-random selection is made, the rationale must be provided.
- 2.2 The sample must include all subheads on which expenditure has been incurred.
- 2.3 Where subheads have not been sampled, e.g. where there is no expenditure, this should be noted.
- 2.4 Where a check includes more than one claim, expenditure should be aggregated within each subhead to determine the level of expenditure to be sampled. When applying a randomizer to each subhead, all claims must be available for possible selection.

### **3. Non-Labour Subheads**

- 3.1 The second level A125 checks to be carried out by the Service Provider are in respect of the initial projects to be included in the Programme. Therefore, MA has applied an initial sample size of 15% of eligible expenditure.
- 3.2 If errors are detected in the initial sample checked, then the SP is required to select a further sample of **5%** of expenditure.
- 3.3 If errors are detected in this additional sample, there is **NO** requirement to select another sample.
- 3.4 See appropriate test grids for further details of the complete checks required for each subhead.

### **4. Labour Subhead**

- 4.1 A review of sample sizes and errors detected within labour subheads for a sample of projects verified during the period September 14 to February 15 has indicated that:
  - Of the 36 sampled projects with labour expenditure errors were detected in 25 (70%) of them and the samples employed ranged from 29% to 100% of employees;
  - In respect of the 11 projects with no errors detected, the samples ranged from 33% to 100%.
- 4.2 Therefore, this confirms that the existence of errors is as likely to be detected with a smaller sample. Therefore sampling of labour costs will be done on the basis of a fixed number of employees as follows:

### **5. RD&I Projects with Simplified Costs**

- A sample of 3 employees must be selected for verification;
- Timesheets for one pay period should be checked for each employee sampled;
- Relevant documentation (eg: payroll report/HMRC report or employee payslip) should be checked to confirm the existence of the sampled employees on same;

- For persons taking drawings from a company, Company House records should be reviewed to verify that the individual is formally recorded as a Director or Partner;
- The employees sampled must span different pay periods within the claim(s);
- If errors are detected in the initial sample, then the SP is required to select a further sample of 3 employees. These must be different employees to those in the original sample (if the total number of employees in the population permits).
- If errors are detected in this additional sample, there is NO requirement to select another sample;
- See appropriate test grids for further details of the complete checks required.

## **6. LED - Labour Sampling**

- 6.1 Councils will undertake projects that will enhance the economic development of businesses within their respective Council area, for instance: providing business mentoring; providing best practice advice and guidance to existing small businesses leading to improved business efficiencies; encouraging entrepreneurs to start new businesses.
- 6.2 The LED projects will entail mainly procured services, paid largely on a fixed price basis.
- 6.3 At this stage inclusion of labour costs is not envisaged. This will ensure that the cost-per-job figure is not inflated. However, should a decision be taken to include these costs then the guidance note will be updated.

## **7. RD&I Projects without Simplified Costs**

- A sample of 3 employees must be identified for full verification of the labour costs ( timesheets, confirmation of gross salary, re-calculation of hourly rate etc) as detailed in the appropriate test grid;
- An additional sample of 3 employees must also be identified for a reduced check of verification of timesheets and employee payment only. These employees must be different to those in the full verification sample ( where the total number of employees in the population permits);

- If errors are detected in the full verification sample only **OR** the full verification sample **and** the timesheet only sample, then a further sample of 3 employees must be selected and the full verification checks completed;
- If errors are detected in the reduced check only sample, then a further 3 employees should be selected and the timesheet and employee payment verification checks completed;
- In total there will be 6 employees sampled initially (3 full & 3 reduced checks), with an additional 3 if required (either full or reduced check depending on where errors found);
- If errors are detected in the additional sample, there is no requirement to select another sample;
- See appropriate test grids for further details of the complete checks required.