**THE EUROPEAN SUSTAINABLE COMPETITIVENESS PROGRAMME FOR NORTHERN IRELAND 2007-2013**

**Managing Authority Guidance on Verification Checks (Article 13)**

**(Updated Jan 2015)**



**1.0 Introduction**

1.1 The objective of this document is to provide guidance on certain practical aspects of the application of Article 13 of Commission Regulation (EC) No 1828/2006. It is intended to serve as a reference document for the implementation of that Article.

1.2 The guidance for Intermediary Bodies (IBs) covers the regulatory requirements, general principles and purpose of verifications, the bodies responsible for carrying them out, the timing, scope and intensity of the verifications, the organisation of on-the-spot verifications and the requirement to document the work.

1. **Regulatory Requirements**

2.1 The verification of operations will be carried out as defined in Article 60 (b) of Council Regulation (EC) No 1083/2006 and Article 13(2) of Commission Regulation (EC) No 1828/2006. These procedures have been developed to meet the requirements of Article 13(4) of 1828/2006 which requires that written standards and procedures will be established for both the administrative and on-the-spot verifications.

* 1. The 2 elements referred to above (administrative and on-the-spot) are seen as both distinctive and complementary and together form an integral part of the internal control system.

**3.0 Managing Authority Role**

3.1 The Managing Authority is responsible for managing and implementing the operational programme in accordance with the principle of sound financial management. It can choose to entrust some or all of these tasks to IBs but cannot delegate the overall responsibility for ensuring that checks are properly carried out.

* 1. Therefore, where certain tasks have been entrusted to other bodies, the Managing Authority will, in its supervisory capacity, obtain assurance that the tasks have been properly carried out. This will be achieved in a number of ways such as:
* Obtaining and reviewing relevant reports prepared by IBs;
* Receiving audit reports prepared in the context of Article 62.1 (a) and (b) of Council Regulation (EC) No 1083/2006, which should incorporate reviews of the Article 13(2) verifications done at IB level;
* Performing quality checks on verifications carried out by IBs;
* From May 2012, managing Authority has procured a service provider to carry out second level verifications on projects.

**4.0 General Responsibilities of Project Beneficiary**

4.1 The Letter of Offer/Contract for funding is addressed to the Project Beneficiary who is responsible for compliance with any conditions contained therein.

4.2 Among the duties of the Beneficiary is the responsibility to prepare a claim for expenditure on behalf of the operation for which they are responsible. In preparing that claim, the Beneficiary must satisfy itself that all expenditure that is being claimed is eligible.

4.3 In submitting a claim for payment, the Beneficiary will provide the documentation that relates to any expenditure that has been incurred. The Beneficiary is accountable for all expenditure. Any irregularities in claims for expenditure will be the responsibility of the Beneficiary, and eventual recovery of any irregular payments made to the Commission will be the responsibility of the IB.

**5.0 Administrative verifications**

5.1 The EC Regulations and Commission Guidance document on management verifications (June 2008) stipulates that all claims for reimbursement by beneficiaries should be subject to administrative verifications based on an examination of the claim and relevant supporting documentation such as invoices, payment records, timesheets, salary records etc.

5.2 Administrative verifications are carried out to check:

* The correctness of the claim submitted;
* That expenditure relates to the eligible period stipulated in the Letter of Offer (LoO);
* That the expenditure relates to the activity described in the LoO and the approved budget headings;
* Compliance with LoO conditions;
* Compliance with EC, National & Programme eligibility rules to include state aid, environmental, equal opportunities, procurement and publicity; and
* Adequacy of supporting documentation and audit trail.

**6.0 Administrative verification work to be conducted by Intermediary Bodies (IBs)**

6.1 Administrative verifications will be carried out by IBs on all claims received from Beneficiarys.

6.2 The IB must ensure that the project is progressing satisfactorily both in terms of physical activity and financial profile.

6.3 Claim expenditure will be vouched by claims sections and/or grant inspection units within the IB to cover all aspects outlined at paragraph 4.2.

6.4 Expenditure will be vouched to the documentation submitted. Although management verifications of 100% of the submitted claims are required by the Regulation, verification of each individual expenditure item and the related proof of delivery included in an application, although desirable, may not be practical. Therefore, selection of the expenditure items to be verified, where justified, may be done on a sample of transactions, selected taking account of risk factors (value of items, type of Beneficiary, past experience), and complemented by a random sample where considered necessary.

6.5 The results of these administrative verifications must be documented. In some cases, the examination of expenditure will be recorded through completion of a checklist. In other instances the findings will be formally recorded in a verification report. Where expenditure is disallowed this must also be recorded on System 2007 and in the relevant irregularity report in accordance with the relevant guidance on irregularities.

1. **On-the-spot verifications**

7.1 On-the-spot verifications are carried out to check:

* The reality of the operation;
* Delivery of the product/service in full compliance with the contract for funding;
* Physical progress;
* Compliance with EC Regulations and National Eligibility rules;
* Compliance with rules on publicity and procurement; and
* Accuracy of information provided by the Beneficiary regarding physical and financial implementation of the operation.

1. **On-the-spot verification work to be conducted by Intermediary Bodies (IBs)**
   1. On-the-spot verifications will be carried out primarily by the claims inspection staff within IBs. However, as on-the-spot verification can address any or all aspects outlined in paragraph 7.1 it is likely that particular aspects can also be verified by other staff in the course of their project management duties. These visits will be recorded on the system and will supplement the verification work.
   2. In order to be effective, it is important that the on-the-spot checks are conducted at the level of activity and expenditure.
   3. The frequency of on-site visits will be determined on the basis of risk analysis but in any case, each operation co-financed will be subject to at least one site visit during the active lifetime of the operation.
   4. Risk analysis will be applied in the selection of the specific expenditure items to be reviewed. This is to ensure that the limited resources available are directed to the higher risk areas.

The risk rating will take account of the adequacy of governance and financial control systems operated by the Beneficiary. It will also include factors such as track record in delivering EU funding projects (where appropriate), materiality and complexity of the project. The findings of other audits/reviews will also be examined prior to the visit and any outstanding issues addressed.

Conducting the On-the-spot Verification

* 1. In order to have successful visits, it is vital that key project staff are available. Therefore most visits should be arranged in advance in consultation with the Project Beneficiary. However, if deemed appropriate, the Managing Authority may consider it appropriate to undertake unannounced visits to verify the existence of co-financed activities such as seminars and events.
  2. The outcome of such on-the-spot verifications will be formally recorded in the appropriate checklist.
  3. The on-the-spot verification visit will be recorded on the database and the risk rating adjusted if deemed appropriate.

Timing and intensity of on-the-spot verification

* 1. On-the-spot verification should normally be undertaken when the project is well underway, both in terms of physical and financial progress. However, where there is significant physical progress without corresponding expenditure claims or where claims are expected to be high value, on-the-spot verification can be undertaken earlier. In these cases, the verification is likely to concentrate on the systems of control established. These verifications can also be used to gain assurance regarding the proposed expenditure and the claim and financial management processes. These checks could also review key areas such as procurement.
  2. The nature and specific characteristics of an operation will often influence the timing of on-the-spot verifications. Large infrastructure projects with an implementation period spanning a number of years will likely lead to a number of visits (at least one annually). Capital projects will also have an on-the-spot visit at completion.
  3. For multi-strand projects which are being delivered through a mixture of grants and contracts, visits should be conducted in the first year of activity to prevent the reoccurrence in later years of any problems identified.
  4. Where an asset is constructed or purchased there is usually a retention period stipulated in the Letter of Offer. In this case a verification visit may be undertaken a number of years after the final payment to the Beneficiary.
  5. Project activity can be intangible in nature i.e. where little physical evidence remains after completion e.g. training courses, seminars, conferences, residential etc. In these cases on-the-spot verification should be conducted during the implementation in order to check the reality of such operations. Progress reports which provide a forward look at activity for the next quarter can be used to identify the relevant timing of the visit.
  6. For all other projects, particularly those where funding is provided over a short time frame and where other visits and management checks are in place, one on-the-spot verification visit during the project lifetime is sufficient. This should be conducted when there has been sufficient activity (physical and financial) to examine progress, but not so late that it is difficult to address any problems that arise.

Reporting and Follow-up

* 1. Following the on-the-spot check a report should be issued to the Project Beneficiary containing any issues/areas of concern and action required. Where the on-the-spot verification has been conducted by the Managing Authority, the report will issue to the IB. In all instances the IB will be responsible for ensuring and verifying implementation. Any material issues should be resolved before further claims for the project are processed.
  2. The findings of all first level verification checks will be held primarily by the IB but will also be copied to the Managing Authority as requested. Any reports containing material issues or issues of a systemic nature should also be brought to the immediate attention of the Managing Authority. The verification reports may be used by the Managing Authority as appropriate to indicate areas where further guidance/training is required.
  3. The Managing Authority may conduct follow-up visits to IBs to ensure that they have taken all appropriate action to address any issues raised during the on-the-spot verification visits.

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