



Border, Midland & Western
Regional Assembly
Investing in Your Future

Presentation III

2.00 – 4.00p.m.

Financial Management and Control

IPA Workshop

March 24th



Ireland's EU Structural Funds
Programmes 2007-2013

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Presentation Outline

- Overall co-ordination of Structural Funds
- Responsibilities of Authorities
- Certification Hierarchy
- Verification Checks and Audits
- EU and National Regulatory Framework



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Overall Co-Ordinations

- In Ireland the Department of Finance has overall responsibility for budgetary and public expenditure matters and is also the lead authority for the Structural Funds
- All public expenditure (co-financed and non co-financed) is pre-financed by the Irish Exchequer
- Expenditure on co-financed measures is not dependent on direct EU receipts
- Annual budgetary and expenditure estimates processes take account of EU expenditure commitments and forecasts



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Responsibilities of Managing Authorities

- Under Article 60 of Regulation (EC) 1083/2006, **Managing Authorities** have responsibility for managing and implementing the Operational Programme in accordance with the principle of sound financial management.
- Managing Authorities are required to
 - Ensure that systems are in place to implement the statutory financial management and control obligations relating to Structural Funds expenditure;
 - Submit eligible expenditure declarations in the required format to the Certifying Authority to facilitate the drawdown of EU Structural Funds and ensuring that an adequate audit trail exists (See appendix 5 for more detail); and
 - Provide guidelines/training on financial management and controls.
- The execution of some tasks in whole or in part may be delegated to the Intermediate Bodies and or to the Public Beneficiary Bodies.



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Responsibilities of Intermediate Bodies

The **Intermediate Bodies** will be responsible for

- Ensuring that all payment claims for Structural Fund expenditure, submitted by Public Beneficiary Bodies are supported by original receipted invoices or, where this cannot be done, by accounting documents of equivalent probative value and audit documents, and that a clear audit trail exists;
- Ensuring in respect of co-financed projects/operations that only eligible expenditure actually incurred is submitted to the Managing Authority; and
- The recorded verification of expenditure incurred and declared by Public Beneficiaries Bodies.



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Responsibilities of Public Beneficiary Bodies

The **Public Beneficiary Bodies** will be responsible for ensuring that :

- only eligible expenditure actually incurred, and expenditure which comes under the terms of the project/operation as approved by the Intermediate Body, is declared.
- a clear audit trail exists in relation to EU Structural Funds
- all claims are supported by receipted invoices or, where this cannot be done, by accounting documents of equivalent probative value.



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The Certification Hierarchy

- Level 1** Final Beneficiaries (Local Authorities/City & Co. Enterprise Boards)
- Level 2** Implementing /Intermediate Bodies (Dept. of the Env. And Local Govt./National Roads Authority/Dept of Enterprise, Trade and Employment)
- Level 3** Managing Authorities (BMW Assembly)
- Level 4** Paying Authority (Dept. of Finance)
- Level 5** E.U. Commission



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ERDF Cascade Structure *Investing in Your Future*

Ireland

**Paying
Authority**

**Managing
Authority**

**Intermediate
Body**

Final Beneficiary

**Final Recipient
(grant applicant)**



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Claims Submission

- Forms B 1 may be submitted at sub-measure level in BMW OP e.g. Non-National roads---EU Co-financed Specific Improvement Grant Scheme
- Must be accompanied by a schedule which includes the following information:
 - Project title and reference
 - Eligible gross expenditure
 - ERDF grant expenditure claimed
 - Revised schedule layout being prepared
- The schedule should be reconciled with the accompanying Form B1
- Forms B1 must be submitted at project level in ESI OP i.e. for National Roads and Waste Water



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B2 Certification Process

- Aggregation of all B1's submitted from final beneficiary level to regional level
- Supported by schedule which sets out a summary of final beneficiary level submissions



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Form B3 & Form C

- Form B3 is completed at Managing Authority level
- All Form B2's are aggregated to Priority level onto Form B3
- Form C is a statutory form (438/2001) and is a summary of the information on Form B3
- Purpose is to provide documentary back-up for Paying Authority payment claim to the EU Commission.



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Basis for Certification

- Largely reliant on confidence in management and control systems in place at all levels
- Confidence built over time
- Largely reliant on checks carried out under Article 4 of 438/2001 and audits performed under Article 10



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Spot Checks

- Required by Art 4 of 438/2001
- A control check to ensure that certified expenditure is supported by the reality at project level
- Not to be confused with audits
- 100% checks presumed unless a sampling procedure has been set out and agreed
- Methodology of checks set out in procedures
- Esch level checks on the level below
- Not necessary for all levels to check to final recipient level although this may be desirable/necessary in certain cases.



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Audit

Article 10 of 438/2001 requires two types of Audit:

- Systems based audit
- Verification Audit

Systems audit conducted by internal audit units at each level. Measures to be audited selected by risk analysis and annual programme of audits agreed with Commission.

Separate Financial Control Unit(s) have been set up to carry out verification audits on 5% of expenditure/projects. Also have responsibility for co-ordinating systems audits and for programme closure.



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EU Regulatory Framework 2007 - 2013

- ERDF Regulation 1080/2006
- General Regulation 1083/2006
- Implementation Regulation 1828/2006
 - Financial control
 - Eligibility
 - Information and Publicity



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National Framework 2007 - 2013

- National Strategic Reference Framework
- Operational Programmes
- Theme-level Implementation Plans
- Financial Management and Control Circular –
Department of Finance 12/2008
- Information and Publicity Guidelines



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Financial Management & Control Regime 2007-13

- Continuation of multi-level cascade structure
- Introduction of IT-based project database and certification system
- National v. EU eligibility rules
- Administrative Agreements in place
- More detailed systems/procedural descriptions in place
- Verification checking procedures more prescribed and sampling methodology to be agreed with M.A.
- ERDF FCU to undertake Verification Audits and co-ordinate Systems Audits



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Financial Management & Control Circular 12/2008

- Overall financial management and control arrangements
- Designated authorities
- The responsibilities of each level in the cascade
- Procedures for the declaration and certification of EU co-financed activities
- Compliance with EU laws in respect of public procurement and state aids
- Information and Publicity
- Financial Corrections
- Treatment of Irregularities
- Reporting Arrangements
- Maintenance of an adequate audit trail
- Standard forms for declarations of expenditure



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E.U. Commission



Certification of all Expenditure

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Certifying Body – Department of Finance
ature

*** Article 61
Management
Checks by
Certifying Body
(DOF)**

Declaration of eligible Expenditure

**Managing Authority /
Regional Assembly**

*** Article 62
ERDF FCU System Based &
Verification Audits**

Declaration of eligible Expenditure

Intermediate Body

*** Article 62
ERDF FCU System Based &
Verification Audits**

Declaration of eligible Expenditure

Beneficiary Body

*** Article 62
ERDF FCU System Based &
Verification Audits**

*** Article 60
Management
Checks by
Managing
Authority and
Intermediary Body**

Return of Expenditure

**Final Recipient
Projects**

*** Article 62
ERDF FCU System Based &
Verification Audits**



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National Eligibility Rules - Circular 16/2008

- General Eligibility of expenditure paid out & proof of expenditure
- Salaries, wages , travel & subsistence
- Indirect Costs(Overheads)
- In-kind costs
- Purchase of Assets (Depreciation Charges)
- Purchase of Second Hand Equipment
- Purchase of land
- Purchase of Real Estate
- Leasing and Rental Costs
- Financial and Legal Charges
- Technical Assistance
- Cross-Financing ERDF/ESF
- Repayable assistance
- Revenue Generating projects
- VAT
- Sub-contracting costs
- Location of Operation



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Administrative Agreements

- Article 59 of the General Regulation 1083/2006, requires that the mutual relations between the authorities responsible for EU co-financed activities should be laid down in full accordance with the institutional, legal and financial systems of the Member State concerned.
- Article 12 of the Implementation Regulation (1828/2006) requires that “...where one or more tasks of a managing authority or certifying authority are performed by an intermediary body, the relevant arrangements shall be formally recorded in writing”.
- Department of Finance Circular requires that Administrative Agreements be prepared between Managing Authorities and Intermediate Bodies setting out roles and responsibilities



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Administrative Agreements

- Implementation of activities in accordance with the approved OP and Implementation Plan;
- Respective roles of the Managing Authority and Intermediary Body and the functions delegated to the Intermediary Body;
- Provision of descriptions of the financial management and control systems in place and the maintenance of an up-to-date procedures manual;
- Provision on an annual basis an estimate of expenditure to allow effective monitoring of the Financial Plans and meeting n+2 targets;
- Mechanisms for the verification of expenditure claims by beneficiaries including agreed arrangements for on-the-spot checks and, where appropriate, agreed sampling levels;
- Certification of expenditure in accordance with the provisions of the Department of Finance Circular including the provision of all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;



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Administrative Agreements

- Arrangements for the reporting of irregularities and the treatment of negative adjustments;
- Maintenance of an adequate audit trail and arrangements for retention of documentation
- Audit Arrangements, including facilitating verification audits by the ERDF FCU, and facilitating systems audits at Intermediary body level, co-ordinated by the ERDF FCU;
- Arrangements for reporting on financial and physical progress on the implementation of the Theme/Sub-theme to the Monitoring Committee;
- Facilitating the conduct of evaluations;
- Compliance with EU and national rules in respect of public procurement and EU state aid rules;
- Notification of major projects;
- Ensuring compliance with the EU and NSRF Information and Publicity requirements and publication of a beneficiary list; and
- Co-operation with Managing Authorities and Certifying Authority in relation to closure arrangements.



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Structural Funds IT System

- New requirement for 2007-13 programming period
- To be used by all actors in the financial management and control cascade in accordance with the principle of shared management responsibilities
- Centralised project database containing mandatory project data
- Creates the B1, B2, B3 forms and proposes them to level above in the financial management cascade
- Pass-word protected internet access
- Adjustments reconciled in claim process & irregularities recorded
- Value of verification checks recorded by project/operation

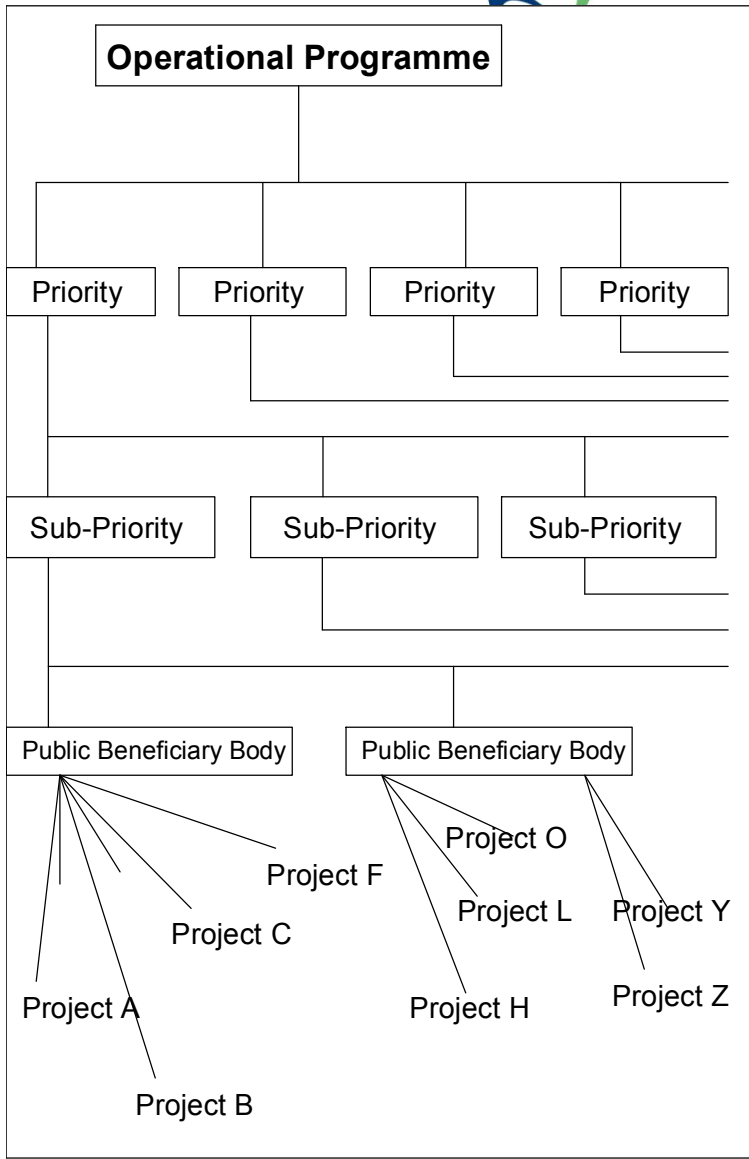


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Level 4 – Certifying Authority

Certifies Statement of Expenditure for an Operational Programme and submits Operational Programme Payment Claim to the EU Commission – using ‘sfc2007’ web interface.

Level 3 – Managing Authority

Declares Eligible Expenditure to the Certifying Authority for each Priority within an Operational Programme – using the B3 process

Level 2 – Intermediate Body

Declares Eligible Expenditure to the Managing Authority for each Sub-Priority within each Priority using the B2 process.

Level 1 – Public Beneficiary Body

Declares Eligible Expenditure to the Intermediate Body for each project/operation managed. Each Public Beneficiary Body is responsible for declaring expenditure to the Intermediate Body for several hundred projects – using the B1 process.

Logged in as **Second I1 User 1, Level 1 Public Body** [Change Password](#) [Logout](#)

- Projects** **B1s**
- Projects** Expenditure Declarations Prior Period Negative Adjustments

Create new Project

Operational Programme Name:	Human Capital Investment Operational Programme (HCI OP)
Priority Name:	Technical Assistance
Sub-Priority Name:	Technical Assistance
Level 1 Public Body Name:	Second Level1-bb for TA
Local Project Reference*:	<input type="text"/>
Project Name*:	<input type="text"/>
Beneficiary Name:	<input type="text"/>
Project Location NUTS4:	Select <input type="button" value="v"/>
Project Location NUTS3:	Select <input type="button" value="v"/>
Project Location NUTS2*:	Select <input type="button" value="v"/>
Short Description of the Project:	<input type="text"/>
Start Date of Project:	<input type="text"/> (DD/MM/YYYY) <input type="button" value="Calendar"/>
Completion Date of Project:	<input type="text"/> (DD/MM/YYYY) <input type="button" value="Calendar"/>
Grant Approval Date:	<input type="text"/> (DD/MM/YYYY) <input type="button" value="Calendar"/>
Grant Approving Body:	<input type="text"/>



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Management Verifications

- Article 13 (Implementation Regulation) is prescriptive on system for management verifications
- Distinguishes between administrative (desk-based) and on-the-spot verifications
- Verifications must be documented
- Sampling basis must be agreed with Managing Authority
- Managing Authority Guidance Prepared:
 - Eligibility
 - Public Procurement
 - Audit Trail
 - EU Publicity
 - Receipts
 - Procedures Manual
 - On-the-spot checks
 - Other EU and national regulations

Value of expenditure checked to be entered on Structural Funds IT System



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