



IRELAND WALES
2007 – 2013

Now what?

Payment and Control Procedures

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24th March, 2011
Waterford



Ireland's EU Structural Funds
Programmes 2007 - 2013

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General Guidance on Eligibility

- Expenditure on a project is bound by start and end dates chosen by the Project at application stage. Expenditure must be incurred, must be real, must be directly related to project delivery, so if it hasn't been incurred, or is notional, or is distant from project delivery, then it's not going to be certified.
- National Eligibility Rules have been developed by both Wales and Ireland in accordance with EC Regulation 1083/2006, Article 56. These rules apply in addition to the eligibility rules for Territorial Cooperation set out in the Regulations & the rules set out in the Operational Programme.
- Projects should read the National Eligibility Rules for Ireland and Wales.



The Payment & Control Process

- At the end of each 6-month period starting on your start date, a Statement of Expenditure (SoE) will be sent to each partner. Good Practice Guide 4 (already issued) explains how to complete it. All Information Notes and Good Practice Guides are available on our website.
- In summary, the SoE, when submitted, must be accompanied by supporting documents, including a schedule of all expenditure items, the related invoices or other source documents (photocopies of originals will suffice, or alternatively use scanned copies), a print out from the Financial Management System that shows all expenditure & receipts.
- Regulation 1828/2006 requires verification of 100% of the SoE's, but we employ sampling techniques.





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The Payment & Control Process

- In accordance with Information Note 11, Partners need no longer submit paperwork to support 100% of all transactions on all budget lines.
- Paperwork must be submitted to support every transaction on these budget lines:
 - Staff Costs
 - Rent and Rates
 - Admin Costs
 - Other overhead.

For all other budget lines, papers must be submitted to support transactions over €500 inclusive of VAT. Papers to support all other transactions must be retained by partners for inspection on-the-spot, and for possible further audit.



The Payment & Control Process

- Most desk-based administrative verifications are currently carried out in Waterford, but we are examining whether we can deliver more work on-site at project premises. Welsh files in particular will probably be audited on-site by one of our Wales-based Controllers.
- Controllers must be able to trace all payments on your SoE through your accounting system to your bank statements, & if the payment has not hit your bank statements inside the claim period then it should be held over to the next SoE.
- Partners should ensure they budget carefully; our first judgement of project performance will be on the basis of spend against budget. If you do not spend according to your profile, it may indicate that the project is not working.



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Proof of Expenditure

- Proof of expenditure is always required. All costs must be supported by documentary evidence, even if you do not currently have to send those papers to the JTS.
- It is not necessary to send original documentation to the Controllers in Waterford; photocopies will suffice. Originals must be maintained for inspection & audit. You can also send supporting documentation electronically, for example, scanned copies of original documents.
- All costs must be backed by relevant FMS printouts, invoices, receipts, payroll information, etc, all supported by a copy of the bank statement upon which the item is recorded.
- If Controllers are not able to clearly identify, and follow, all necessary back-up, they will not be able to certify the expenditure.



Lead Partner Obligations...

- From August 1st, 2010, all Statements of Expenditure, from all Project Partners, must be checked by the Lead Partner and submitted in a batch to the JTS.
- This will permit the JTS to perform testing on all partner SoE's at the same time, and should mean improved payment times.
- However, files must be submitted in acceptable format. If you're a Lead Partner and you see that the file you've been given will not be acceptable to us, then you shouldn't accept it yourself, and you certainly shouldn't forward it to us.
- Read Information Note 10, and if the partners have submitted a file to you that doesn't comply with it, tell them !



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Statement of Expenditure

Section A

A. GENERAL PROJECT INFORMATION			
Project Number:	45		
Project Title:	IREWAL_Venture		
Project Partner No.	2		
Partner Organisation:	AIRC		
Contact Person:	Joe Bloggs		
Tel. No.	00 353 (0) 1 400 45689	Email:	jbloggs@airc.ie
Project Start Date:	April 2008	Project End Date:	March 2011
Total amount of ERDF Funding committed in the Subsidy Contract:	€1,132,758		
Total amount of Match Funding (in EUR)	€377,584		
Article 7 of Regulation (EC) No. 1080/2006 states that recoverable VAT is not eligible for ERDF funding; do you intend to prove that VAT to you is an irrecoverable cost? If yes, we will require confirmation from the Revenue Commissioners/Inland Revenue. Please answer yes or no :	Yes		
Project with activity located in Adjacent Area(s) please type Yes or No	No		
Claim Period - From:	4/2008	To:	9/2008
Please Verify what Exchange rate you are using type Yes / No			
Option 1	Monthly Commission Rate for month expenditure incurred	Yes	
Option 2	Commission Rate on Date Submitted to JTS	No	
B. TOTAL EXPENDITURE AND ERDF APPLIED FOR			
TOTAL EXPENDITURE SUMMARY (EURO €)			
Statement of Exn. / Staff Costs / Rent & Rates / Energy / Telecomm / Admin / Other O			Total

The RED fields are compulsory





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Statement of Expenditure

Section B

B. TOTAL EXPENDITURE AND ERDF APPLIED FOR						
TOTAL EXPENDITURE SUMMARY (EURO €)						
Budget Line	*Budget to end of claim period	Previous Expenditure (2)	**Current Expenditure (3)	Total Expenditure (4) = (2) + (3)	Balance (5) = (1) - (4)	Total Expenditure/Budget (6) = (4)/(1) %
1. Staff Costs	44,000	0.00	2,883.61	2,883.61	41,116	6.55
2. Rent and Rates	2,000	0.00	49.51	49.51	1,950	2.48
3. Energy	250	0.00	0.00	0.00	250	0.00
4. Telecommunications	250	0.00	67.04	67.04	183	26.82
5. Administration	10,250	0.00	27.61	27.61	10,222	0.27
6. Other Overheads	8,500	0.00	98.34	98.34	8,402	1.16
7. Consultancy Fees	13,333	0.00	0.00	0.00	13,333	0.00
8. Travel	6,250	0.00	0.00	0.00	6,250	0.00
9. Publicity and Marketing	6,667	0.00	0.00	0.00	6,667	0.00
10. Training	1,333	0.00	0.00	0.00	1,333	0.00
11. Other Revenue (Costs)	0	0.00	0.00	0.00	0	0%
Sub-Total Costs	92,833	0.00	3,126.11	3,126.11	89,707	3.37
Capital Expenditure						
	2,867	0.00	0.00	0.00	2,867	0.00
TOTAL COSTS	95,700	0.00	3,126.11	3,126.11	92573.89	3.27
Less Revenue Generated	Revenue to end of claim period	Previous Revenue (2)	Current Revenue (3)	Total Revenue (4) = (2) + (3)	Balance (5) = (1) - (4)	Total Revenue/Budget (6) = (4)/(1) %
	0	0.00	0.00	0.00	0	0%



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Staff Costs

- Salaries can be included in full if staff work on the project for 100% of their working time. If it's less than that, or you undertake other duties unrelated to the project, then costs should be split to show how much time is dedicated to the project.
- If you are claiming apportioned staff costs, then the calculation of apportionment should be included as supporting documentation.
- Signed timesheets for 100% of working time must be submitted for staff employed less than 100%, and more than 10% of their time. This is a Programme-wide minimum standard, but it may be that the Commission will expect to see even higher standards. We have seen them insist that everybody in the Project on whose behalf time is being claimed complete and retain 100% timesheets.
- For those working less than 10% of their working time on a project, costs, if not supported by timesheets, must be supported by diary extracts, attendance sheets from meetings, or some other robust & quantifiable method.
- Think also about how you will establish a rate of pay for the work done.
- Most staff costs under 10% will not be certified as they will not be considered “additional” costs.



Overheads

- Overheads are broken down into rent & rates, energy, telecommunications, administration and other overheads.
- Overheads are only eligible if they are based on real costs relating to the delivery of the project and are allocated in a justifiable and fair way. Details of any apportionment of overheads should be provided.
- If your apportionment method is unclear, or if you fail to show that the costs are directly related to the delivery of the project, we will not be able to certify them. Projects must be able to demonstrate that value for money has been obtained in relation to any expenditure claimed.
- **Notional costs are ineligible**



Consultancy Fees

- Procurement and value for money will be of particular importance here; it is essential that Community and National public procurement rules are adhered to at all times. Partners must provide evidence that a satisfactory procurement process has taken place. This has proved extremely difficult for projects audited thus far.
- If this process is not carried out correctly, the JTS will apply the appropriate penalties for non-compliance as laid down by the EU.
- Detailed testing of the Procurement papers will take place during the 'on-the-spot' verification visit. At SoE stage, we will need to see a brief summary of the procurement method employed on any relevant transactions.





Procurement...

- Telling us, after the event, that only one supplier was suitable, will probably mean automatic exclusion of the costs involved. Even if somehow they got by us (perhaps not sampled), the Financial Control Unit, or WEF0 Auditors, or the Commission, will undoubtedly pick it up and exclude them.
- How do you prove that the supplier you chose is the only supplier suitable ? You procure.
- “Single Tender Action” is a form of Procurement. It is not an absence of procurement.
- Why take the chance ?



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Travel

- Travel & subsistence costs will mainly relate to project staff and must be incurred on ERDF projects/operations only. Partners must retain all appropriate documentation to support any T & S claim (receipts, tickets etc) and the rates used must be appropriate and justifiable (i.e. in line with your policies, or based on applicable civil/public service rates).
- Watch out for changes in rates; both National systems changed recently and change regularly
- Travel and subsistence costs must be directly attributable to the delivery of project activity.



Other Revenue Costs and budget revisions

- If an expenditure item does not fit into one of the other budget lines it may be recorded here.
- Projects may spend more than budgeted (up to 10% more) on any budget line provided they have made the savings elsewhere.
- Projects may also spend up to €10,000 more than budgeted on any budget line provided they have made the savings elsewhere.
- It is important that projects only use this budget line for those transactions that do not belong elsewhere. If the Controllers see that transactions entered here are more appropriate to other headings, they will request that you move them, and this may put you into a situation where you breach the 10% rule.



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Capital Items

- The Programme is not aimed at Capital Projects, but it is accepted that some small-scale acquisitions of Capital items (for example computers) may be necessary.
- The Department of Finance in Ireland defines an asset as “... any tangible item with a useful economic life of more than one year and a cost of greater than €1,000 (net of VAT)...” and for Irish participants this will be applied to determine whether an item is Capital. Welsh guidance is less detailed on this heading, so we will be guided by your own policies.
- Read the National Eligibility Rules before acquiring any such items; guidance on the acquisition and treatment of Capital items has been included.



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VAT

- Recoverable VAT is not an eligible cost, so if you intend to claim it you must show that the VAT you pay is completely irrecoverable.
- We will usually accept a letter from the Revenue authorities, addressed to your organisation, stating that your VAT is irrecoverable, but choosing not to register will not suffice.
- On the SoE, you must enter full VAT details; the Gross, VAT, and Nett amounts. If you don't enter the data correctly, the IT system may pick up an incorrect total.
- Vital to answer the VAT question on the front page



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VAT - Example

Other Rev. Costs								
		045						
Location:		IREWAL_Venture						
		2						
		4/2008						
		9/2008						
SOE No.	Budget Line	Item No:	Date Paid	Pagee	Invoice Date	Invoice No.	Cheque No.	Bank Statement No.
01	RV	001	14/04/2008	K B Scientific Ltd	01/04.08	812336	23	815
01	RV	002						
01	RV	003						
01	RV	004						

Description	NET (£)	VAT (£)	Gross (£)	Is this In-Kind Match Funding?
Bottle Square Plastic	36.30	7.62	43.92	No

Please Note: when claiming Vat - the Nett, Vat and Gross amounts are required



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- When testing is over, a number of reports will be completed. Every partner tested will receive a Certificate of ERDF Control (CEC), detailing the amount tested and the amount considered to have passed First Level Control.
- When the CEC is sent to the partners, it is also copied to the Managing Authority, Certifying Authority, and Lead Partner. The Lead Partner, when receiving their own CEC, will find it accompanied by a Payment Claim Form & a Progress Report.



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- Every partner will find the CEC accompanied by a First Level Control report, formally outlining some of the findings of the Controllers and making recommendations. We will expect to see that any recommendations made have been considered and acted upon by the time the next SoE is submitted.
- When a second SoE is received, its content will be checked against the First Level Control Reports that have already issued, and if the recommendations have not been taken on board, you put your payment at risk.



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On-the-Spot Verifications

- On-the-Spot verifications will be carried out on all Lead Partners in their second year of operation and more than likely at least once every year thereafter.
- Other beneficiaries will likely face one on-the-spot during the life of the project but may find that number increasing if verifications of the Lead Partner, or any other partner, cause the Controllers to consider that a greater level of risk exists. One partner can change the risk status of an entire project.
- An unsatisfactory on-the-spot outcome can delay or stop the payment process.



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Risk Management...

- Finance Unit currently drawing up a risk management strategy.
- This will determine who faces an on-the-spot, and what level of testing will be conducted during that visit. It may also be extended over time to determine a revised level of sampling to be applied to desk-based verifications.
- It is not a good idea, as a partner or as a project, to be classed as high-risk. It will mean far more testing, and may well be adopted by other audit authorities to determine what testing is to be done.
- Initially, risk class is determined by the nature and size of a project, but this is revised once a project is up-and-running and is based more closely on project behaviour, as observed through SoE's.

Summary

Our Job?

To certify the maximum amount of money permissible, in the shortest possible time.

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