

F252/53/01

25 November 2003

**CIRCULAR 28/2003: FINANCIAL MANAGEMENT AND CONTROL
PROCEDURES FOR THE COHESION FUND 2000-2006**

Secretary General

1. Background

I am directed by the Minister for Finance to advise implementing Departments of a transfer of functions in relation to (a) the co-ordination of systems audits and (b) the declarations at winding-up of Cohesion Fund assisted projects. The changes arise following the transfer of Cohesion Fund related work from the Department of Finance's Internal Audit Unit to the ERDF (and Cohesion Fund) Financial Control Unit. This Circular supersedes Circular 41/2002 and it incorporates references to a Commission Regulation that issued in January 2003 regarding eligibility of expenditure (for projects first approved in 2003) as well as a number of minor amendments suggested by the European Commission.

The purpose of this Circular (and of the original Circular) is to advise implementing Departments of their financial management and control responsibilities relating to the implementation of Cohesion Fund co-funded projects, approved after 1 January 2000. In particular, the Circular sets out the mandatory procedures to be followed by Intermediate Bodies and by Implementing Bodies in relation to (i) processing and certification of claims for Cohesion Fund payments and (ii) institution of required financial control systems.

The regulatory framework for Member States management and control systems is laid down in Council Regulation (EC) 1164/94, establishing a Cohesion Fund (Article 12 in particular) as amended by Council Regulations 1264/99 and 1265/99. Article 12 states, inter-alia, that "...*Member States shall take responsibility in the first instance for the financial control of projects*".

This Article goes on to detail the types of steps which Member States must take in this regard. The provisions of Council Regulation (EC) 1164/94, as amended, are supplemented by Commission implementing Regulation (EC) 1386/2002. The purpose of this circular is to set out how the requirements of the above-mentioned Regulations are to be applied in Ireland.

2. General Responsibilities

Under Article 2(1) of Commission Regulation (EC) 1386/2002, the Member State must ensure that the Implementing Bodies, Intermediate Bodies, the Managing Authority and the Paying Authority receive adequate guidance on the provision of management and control systems necessary to ensure the sound efficient financial management of the Cohesion Fund in accordance with generally accepted principles and standards. In particular that guidance should assist those authorities or bodies in establishing the systems necessary not only to provide adequate assurance of the correctness, regularity and eligibility of claims on Community assistance, but to ensure that projects are carried out in accordance with the terms of the relevant decision and with the objectives assigned to those projects.

The Managing Authority is responsible for the general management and coordination of Fund operations in the Member State and for ensuring that the Regulations governing the Fund's operations are circulated to all Intermediate Bodies who in turn are responsible for circulating them to the Implementing Bodies. Regulations are available on the CSF Website "www.eustructuralfunds.ie".

Intermediate Bodies must make certain that adequate guidance is provided to Implementing Bodies in order to ensure the proper application of these regulations. **Formal confirmation of this guidance will be required on an annual basis in the format specified in Form A attached to this Circular.** The initial Form A report was due to be supplied by the Intermediate Bodies to the Cohesion Fund Managing Authority by 31 March 2003, and the second report by 31 December 2003. Subsequent reports must be provided each year by 31 December. Copies of this circular and of the reporting forms are also available on the CSF Website.

Questions regarding the interpretation of the EU regulations should at all times be addressed to the Managing Authority.

Intermediate Bodies are required to ensure that systems are in place to implement the statutory financial management and control obligations relating to Cohesion Fund expenditure. Specifically in relation to systems, Intermediate Bodies must certify through completion of the certification reports Forms B1 and B2 (attached to this Circular) that:

- responsibilities in the context of project implementation are formally documented at the various levels i.e. Intermediate Bodies and Implementing Bodies;
- the conditions set out in the formal grant approval agreement between the Intermediate Body and the Implementing Body concerning the implementation of the co-financed project are being observed;
- procedures covering on-going monitoring and physical implementation are being applied by way of formalized spot-checking;
- the project is being implemented in accordance with the eligibility rules specified in the "Principles Governing Eligibility of Expenditure in the Framework of Projects assisted by the Cohesion Fund", annexed to the Commission decisions approving assistance for individual projects or in accordance with Regulation 16/2003, for projects first approved in 2003.

- the requirements of Commission Decision 96/455/EC dated 25 June 1996 on information and publicity measures, to be carried out by the Member States concerning the activities of the Cohesion Fund, are being observed;
- the project is being implemented in accordance with the principles of sound financial management as specified in Commission Regulation 1386/2002;
- expenditure reported can be shown to have been incurred and paid by the implementing body for the project concerned, within the eligibility dates specified in the most recent Commission Decision for the project;
- expenditure reported has been checked against original invoices and proof of payment
- the project is being implemented in a manner consistent with the objectives set out in the relevant Commission decision;
- EU requirements with regard to environmental protection, transport (including trans-European networks), competition, and the selection and award of public contracts, are being observed;
- no EU aid has been received for the project under another decision on Cohesion Fund aid or from the Structural Funds;
- separate documentation and bank accounting systems (or an adequate accounting code) are being maintained for the project;
- evidence of receipt of funding by the implementing body of the grant is available;
- all supporting documentation has been retained in accordance with Article G(3) of Council Regulation (EC) 1164/94 as amended. (i.e. for three years after the closure of the project);
- a clear audit trail exists from individual payments by implementing bodies (including invoices and application forms) back to the summary details given in the expenditure declarations, made by the designated Paying Authority¹ to the Commission in order to facilitate reconciliation of certified expenditure at the various levels.

The financial records of Implementing Bodies should, therefore, be sufficiently detailed to provide the type of audit trail required. An indicative description of audit trail information is provided in Annex 1 to Commission Regulation (EC) 1386/2002 (attached at Appendix 1)

¹ The Department of Finance (CF Paying Authority)

3. Procedures for the drawdown of Cohesion Funds

3.1 Certification

In order to draw down Cohesion funding, all expenditure being reported to the Paying Authority must be certified (by means of Form B1, B2, B3 and C attached) as eligible before making an expenditure declaration to the Commission, i.e. *ex-ante*.

The bodies involved in the day to day management of projects i.e. the Implementing Bodies will be responsible, in the first instance, for the certification process. A reporting format has been introduced to certify that sound and efficient financial management and control procedures are in place and that an adequate audit trail exists. There are three function levels involved in this process .:

- Implementing Bodies- the bodies responsible for the implementation of projects under Article 10(4) of Regulation 1164/94. For the purpose of this Regulation, Implementing Bodies shall include, where the Implementing Body is not the final recipient of funding, bodies and firms involved in the implementation of the project, whether as concession-holders, appointees or otherwise (Level 1);
- Intermediate Bodies: All public or private bodies or services acting under the responsibility of the Managing or Paying authority or performing tasks on their behalf in relation to Implementing Bodies (Level 2); and
- Managing Authority² (Level 3):

The administrative unit responsible for the relevant areas of operations at each level should, where available, reconcile its expenditure records with those of its accounts/finance unit – and with the records from the body below it - before reporting to the level above.

Level 1 (Implementing Body) is responsible for reporting and certifying the accuracy, actuality and eligibility of the expenditure to Level 2 and for completing Form B1. This Form must be completed and must be accompanied by a schedule in respect of expenditure at category level e.g. Planning, Land acquisition, Site preparation, Building and construction, Equipment, Technical assistance, Publicity and VAT.

Level 2 (Intermediate Body) is responsible for reporting and certifying expenditure from Level 1 to Level 3 and completing Form B2. This form must also be completed at expenditure category level. This Level must certify that the management and control procedures described in its Procedural Manual, are in place at Level 1 and that steps (including sample checking of information at Level 1) have been taken to give reasonable assurance that the amount returned is correct, before certifying and reporting the expenditure on Form B2 to Level 3. Each expenditure report forwarded from Level 2 must be accompanied by a completed Form B2. When declaring expenditure to the Managing Authority, the Intermediate Body is required to draw up and submit a statement of expenditure in the form prescribed at Annex II of Commission Regulation (EC) 1386/2002- as per Form C attached. This should also accompany the Form B2.

² The Department of Finance (CF Managing Authority)

In the event of an arithmetic error being discovered following an expenditure declaration to the Commission an adjustment should be made at the earliest opportunity in the adjustments columns of Forms B1, B2 and B3 and C.

Level 3 (Managing Authority) is responsible for reporting and certifying expenditure at category level from Level 2 to the Paying Authority and completing Form B3.

Certification reports should be accessible to the ERDF Financial Control Unit, Internal Audit Units at each of the three levels, the European Commission, the European Court of Auditors and the relevant National Authorities.

3.2 Applications for Interim Payments

Notwithstanding the 20% payment on account advanced by the Commission, following the approval of the projects and the signature of contracts to the value of the payment on account, interim payments will be made by the Commission based on certified expenditure incurred and paid at final recipient (implementing body or body or firm actually carrying out the works) level. Interim payment applications are made by the Paying Authority to the Commission as a general rule three times a year, by 1 March, 1 July and 1 November at the latest.

Payment applications to the EU for interim payments of Cohesion Fund expenditure are based on the statement of expenditure reports (Form C) and the Forms B certification reports. Form C statements of expenditure relate to (i) expenditure incurred and paid in the entire period from the starting date of eligibility and (ii) expenditure paid since the previous application for an installment of Cohesion Fund assistance was forwarded to the Managing Authority.

Requests from Intermediate Bodies for the drawdown of Cohesion Fund commitments which are not supported by Forms B and C will not be processed by the Paying Authority.

Failure to comply with the above procedures may lead to the suspension of Cohesion Fund assistance.

3.3 Verification

3.3.1 Internal Audit

The system-based audits required under Article 9.1(a) of Commission Regulation (EC) 1386/2002 should be performed by the Internal Auditor at each level within the cascades of bodies implementing co-financed projects. An Internal Audit Unit, functionally independent of the Cohesion Fund operational areas, should be in place within the various Bodies. Alternatively, external auditors may be appointed to perform this task.

The Financial Control Unit will plan and co-ordinate the annual programme of system-based audits and review the audit findings arising. As well as complying with EU regulatory requirements, audit work will be carried out in line with national/international standards.

3.3.2 ERDF (and Cohesion Fund) Financial Control Unit (FCU)

The ERDF (and Cohesion Fund) Financial Control Unit has responsibility for the audit of Cohesion Fund expenditure to comply with the provisions of Articles 9,10, and 11 of Commission Regulation (EC) 1386/2002. The Unit has sole responsibility for the conduct of the minimum 15% audit of Cohesion Fund expenditure required under Article 9. These audits will be undertaken from Paying Authority level down through the cascade to the level of the Implementing Body (or body or firm actually carrying out the works).

The FCU should also examine financial management, control and system procedures to ensure that these are adequate.

3.3.3 The onus for the introduction, maintenance and operation of satisfactory control procedures for each co-financed project is, however, the absolute responsibility of the Intermediate Bodies and there can be no derogation from this responsibility. Therefore it is the Intermediate Bodies' responsibility to urgently put in place appropriate remedial action where any systems deficiencies are identified.

The audit reports will be furnished by the FCU to the Intermediate Bodies for the projects concerned, the Managing and Paying Authorities and the European Commission. The Court of Auditors will also have access to these results. **Appendix 2 outlines the certification and verification structures to be put in place and specifies where responsibility for these lies.**

4. Public Procurement

Intermediate Bodies are responsible through the Implementing Bodies for ensuring that projects are in compliance with all public procurement requirements (Directives on Works, on Services and on Public Utilities). Public procurement guidelines are available on the public sector procurement website: "www.e-tenders.gov.ie". EU Procurement Directives can be accessed under the Rules and Guidelines on the EU procurement website "www.simap.eu.int" [linked to the public sector website].

5. Information and publicity

It is the responsibility of each Implementing Body to ensure that adequate publicity for projects, principally to make the general public aware of the role played by the Community in financing them and requirements of Commission Decision 96/455/EC concerning information and publicity measures to be carried out by member States, are met. The EU and National Development Plan logos must be displayed in all publicity material, application forms, grant approval as well as on signs for projects as required under the Commission Regulation on Information and Publicity. In addition, publicity material should include the required text references acknowledging the role of the EU Cohesion Fund and the agreed textual acknowledgement for the NDP in the funding of the operation. Information and publicity costs are eligible for Cohesion Fund co-funding and can be charged to the relevant project.

6. Financial Corrections

6.1 General

Article H of Annex II to Council Regulation 1164/94 (as amended) and Commission Regulation (EC) 1386/2002 (Articles 17-20) provide the legal basis and set out the procedures for making financial corrections to assistance granted under the Cohesion Fund. The amount of the financial correction should be assessed, wherever possible and practicable on the basis of individual projects and be equal to the amount of expenditure wrongly charged to the Fund, having regard to the principle of proportionality.

It should be noted that compliance with Commission Regulation 96/455/EC will be examined during all audits of co-funded expenditure and that failure to comply with the provisions of this Regulation may lead to financial corrections under Commission Regulation (EC)1386/2002.

However, it will not always be possible or practicable to quantify the amount of irregular expenditure precisely. This may be the case with systemic deficiencies where it would not be cost-effective to quantify the amount of the irregular expenditure in every cost item, and it is the case, too, with certain types of infringements of regulations such as environmental or public procurement legislation. In such cases, instead of cancelling the entire EU contribution to the project or projects concerned, which might be disproportionate, the Commission can apply corrections on an extrapolated basis or at a flat rate and it will proceed as follows :

- (a) in the case of extrapolation, it shall use a representative sample of transactions with like characteristics;
- (b) in the case of a flat rate, it shall assess the importance of the infringement of rules and the extent and financial implications of any shortcomings in the management and control system that have led to the irregularity established.

Financial corrections, taking the form of an amendment to the original decision on the project to reduce the commitment of EU funding to it, are taken by the Commission. The procedure is set out in Article 17-20 of Commission Regulation 1386/2002. Where the Commission bases its position on the facts established by auditors other than those of its own services, it will draw its own conclusions regarding their financial consequences, after examining the measures taken by the Member State under Article 12(1) and (2) of Regulation (EC) No 1164/94 and Article G(1) of Annex II thereto, the reports supplied under Regulation (EC) No 1831/94, and any replies from the Member State. Recovery proceedings should be launched as soon as irregular payments of EU funding have been established (not after the Commission financial correction decision).

6.2 Systemic Irregularities

Deficiencies identified in Member States' financial management and control systems (systemic irregularities) will be subject to financial corrections (Article H(2) of Annex II to Council Regulation (EC) 1164/1994 and Article 17 of Commission Regulation (EC) 1386/2002). A systemic irregularity is a recurrent error due to serious failings in management and control systems which could lead to irregular expenditure of the Fund.

Financial corrections are determined in accordance with the seriousness of the deficiency in the management and control system or the individual breach and the financial implications of the irregularity. **A list of what the Commission considers to be key and ancillary elements of systems for the purpose of assessing the seriousness of deficiencies is outlined at Appendix 3.** (Commission Guidelines on the principles to be applied in determining financial corrections, issued on 29 July 2002, refer)

6.3 Net reduction of EU funding

Paragraph 1(i) of the Guidelines on the principles to be applied in determining financial corrections, issued by the Commission on 29 July 2002 state that financial corrections decided by the Commission under Article H(2) of Council Regulation (EC) 1164/1994, always involve a net reduction to the EU funding committed to a project.

7. Irregularity Reporting

The Department of Finance is responsible for reporting any irregularities to the European Commission and, in carrying out this function requires reporting of such irregularities on a quarterly basis from the Intermediate Bodies. The basis for reporting irregularities is as set out in Article 3 of Commission Regulation (EC) 1831/94. The Paying Authority has overall responsibility for financial corrections and recoupment of amounts incorrectly paid. However, this function may be delegated to the Intermediate Bodies. The paying authority shall send the Commission once a year, in annex to the fourth quarterly report on recoveries, a statement of the amounts awaiting recovery at that date in accordance with Article 7 of Commission Regulation 1386/2002.

8. Debtors ledger

The Intermediate Bodies are responsible for the amounts recoverable from payments of Cohesion Funds already made and for ensuring prompt recovery. The Intermediate Bodies must provide to the Managing Authority an up-to-date statement of amounts awaiting recovery on a regular basis as determined by the Paying Authority, and at least by 31 December each year, classified by the year of initiation of the recovery proceedings. To this end, the Intermediate Bodies must maintain a detailed register of amounts awaiting recovery and regularly reconcile the record of amounts (debtor's ledger). They must also inform the Paying Authority of recoveries.

9. Progress Reports and Final Reports

In accordance with Article F(4) of Annex II to Council Regulation (EC) 1164/94, it is the responsibility of the Intermediate Body to submit progress reports by project to the Commission, through the Managing Authority, within three months of the end of each full year of implementation and to submit a final report within six months of the completion of a project or stage of a project.

10. Procedures Manual

To overcome any weakness in the area of financial management and control of the Fund, detailed Procedures Manuals should be prepared - and reviewed regularly – by the Intermediate Bodies. The Procedures Manuals must give details of responsibilities, tasks and procedures for personnel involved in the implementation of EU co-financed activity. The procedures manuals should comply with the systems guidance set out in Appendix 3. These should be available for inspection by the Managing Authority, the ERDF Financial Control Unit, the Internal Audit Units, the European Commission and the European Court of Auditors.

11. Programme of Cohesion Fund Audits under Bilateral Administrative Arrangements

An audit programme of Cohesion Fund expenditure is agreed annually with the Commission by

- the Head of the ERDF (and Cohesion Fund) Financial Control Unit and the Heads of the relevant Internal Audit Units in relation to systems audits, and
- the Head of the ERDF and Cohesion Fund Financial Control Unit, in consultation with the Paying Authority, the Managing Authority and the relevant Internal Audit Units in relation to systems and expenditure transactions.

12. Annual Financial Management and Control Statements

In compliance with Article 12 of Commission Regulation (EC) 1386/2002 Member States are required to report to the Commission, by the 30th June each year, and for the first time by 30 June 2003, on their application of Articles 9-11 of that Regulation for the previous calendar year. In addition, they must provide any necessary amplification or updating of the description of their management and control systems as communicated under Article 5(1). This is the responsibility of the Managing Authority, based on information supplied by the Intermediate Bodies and the Financial Control Unit.

13. Declaration at Winding-up of Projects

Under Article 12(1) (f) of Council Regulation (EC) 1164/94 (as amended) a declaration must be drawn up by a person or Department independent of the implementing body, the intermediate body, the managing authority and of the paying authority, at the time of project closure. In accordance with the above mentioned requirement and in accordance with Article 13 of Commission Regulation (EC) 1386/2002 this declaration must be completed for projects first approved after 1 January 2000, for Cohesion Fund expenditure, by the Head of the ERDF (and Cohesion Fund) Financial Control Unit. The declaration will summarise the

conclusions of the checks carried out during previous years and will assess the validity of the application for payment of the final balance and the legality and regularity of the expenditure covered by the final certificate.

14. Conclusion

This Circular is without prejudice to the obligations of Implementing and Intermediate Bodies in respect of projects first approved before 1 January 2000 to ensure that the projects have been properly carried out, to prevent irregularities and to recover any amounts lost as a result of irregularity or negligence.

Conformity with this Circular and with the relevant EU Regulations is obligatory. Failure to abide by the financial management and control procedures outlined above may lead to the deferment or cancellation of Cohesion Fund assistance.

Departments should ensure, therefore, that the introduction of procedures necessary to conform with the terms of this Circular and the relevant EU Regulations is urgently addressed.

Intermediate Bodies are required to ensure that all Implementing Bodies, which are responsible for implementing Cohesion Fund projects comply with the requirements of this Circular. Intermediate Bodies will be requested to demonstrate to the Managing Authority the steps they have taken to this end.

Any queries on the terms of the Circular should be addressed in the first instance to Liam Hennessy (telephone 6045722, e-mail address Liam_Hennessy@finance.irlgov.ie) who represents the Managing Authority for the Cohesion Fund .

Stephen O'Sullivan
Assistant Secretary

APPENDIX I

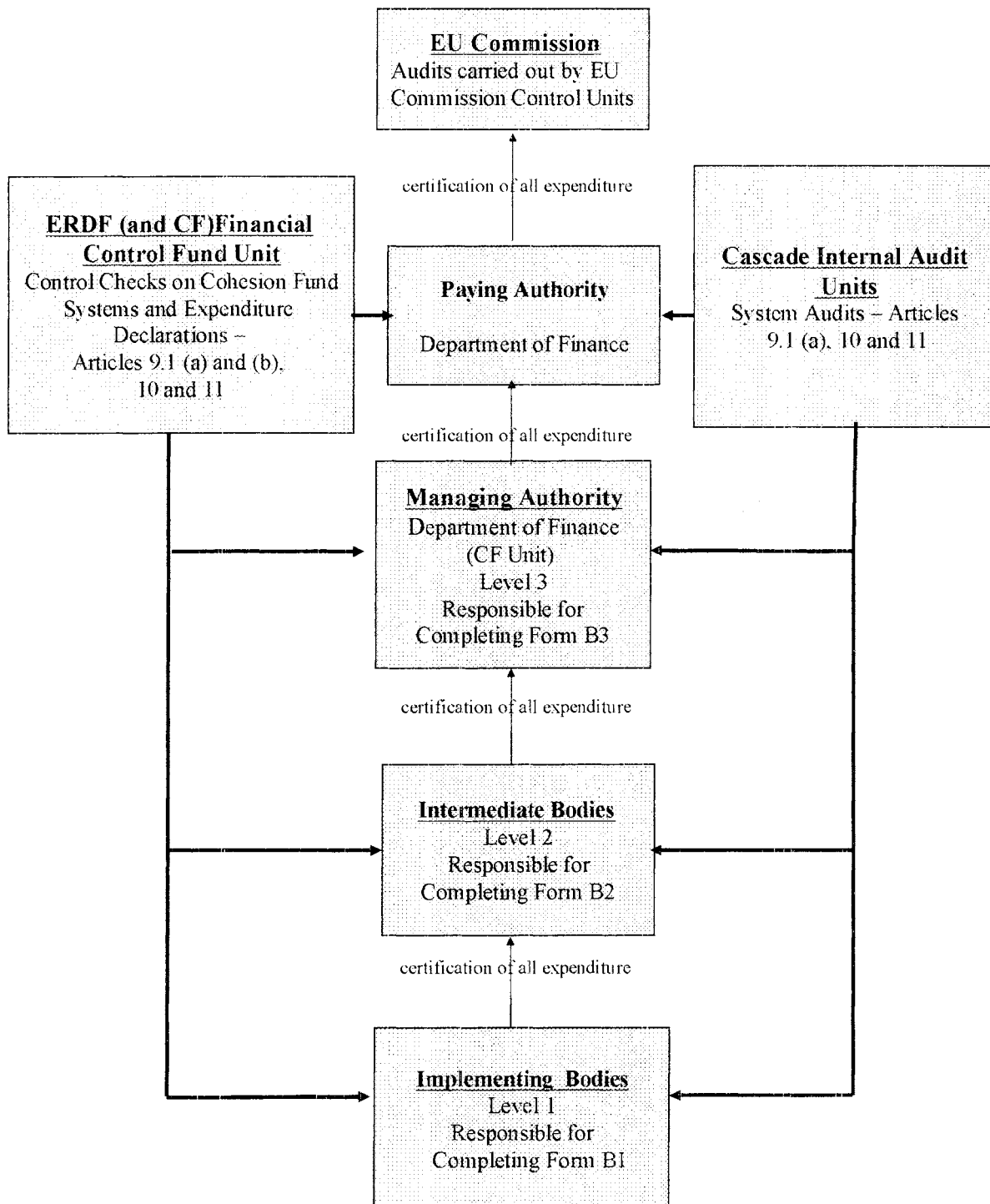
INDICATIVE DESCRIPTION OF INFORMATION REQUIREMENTS FOR A SUFFICIENT AUDIT TRAIL (Article 6)

A sufficient audit trail, as referred to in Article 6(2), is present when, for a given project, including individual projects within a group of projects :

1. Accounting records kept at the appropriate management level provide detailed information about expenditure actually incurred in the co-financed project by the implementing body, including, where the latter is not the final recipient of funding, the bodies and firms involved in the implementation of the project, whether as concession-holders, delegates or otherwise. The accounting records show the date they were created, the amount of each item of expenditure, the nature of the supporting documents and the date and method of payment. The necessary documentary evidence (e.g., invoices) is attached.
2. For items of expenditure relating only partly to the co-financed project, the accuracy of the allocation of the expenditure between the co-financed project and the rest is demonstrated. The same applies to types of expenditure that are considered eligible only within certain limits or in proportion to other costs.
3. The technical specifications and financial plan of the project, progress reports, documents concerning tendering and contracting procedures, and reports on inspections of the execution of the project in accordance with Article 4 are also kept at the appropriate management level.
4. For declaring expenditure actually incurred in the co-financed project to the paying authority, the information referred to in paragraph 1 is aggregated into a detailed statement of expenditure broken down by category. The detailed statements of expenditure constitute supporting documents for the accounting records of the paying authority and are the basis for the preparation of declarations of expenditure to the Commission.
5. Where there is one or more intermediate bodies between the implementing body or the bodies or firms involved in implementation of the project and the paying authority, each intermediate body for its area of responsibility requires detailed statements of expenditure from the body below it as supporting documentation for its own accounting records, from which it provides at least a summary of the expenditure incurred on the project to the body above it.
6. In the case of computerised transfer of accounting data, all the authorities and bodies concerned obtain sufficient information from the lower level to justify their accounting records and the sums reported upwards, so as to ensure a sufficient audit trail from the total summary amounts certified to the Commission down to the individual expenditure items and the supporting documents at the level of the implementing body and the other bodies and firms involved in the implementation of the project.

***Proposed Cohesion Fund
Financial Controls In Ireland***

Structure of financial controls to comply with Commission Regulation (EC) 1386/2002
- Article 9.1 (a) and 9.1 (b), Articles 10 and 11- and the Protocol on Audit co-operation



APPENDIX 3

Management and Control Systems

A. Commission Regulation (EC) 1386/2002

Article 3 of the above Regulation states that:

“The management and control systems of managing and paying authorities, intermediate bodies and implementing bodies shall, subject to proportionality in relation to the volume of assistance administered, provide for:

- (a) a clear definition, a clear allocation and, insofar as it is necessary for sound management, an adequate separation of functions within the organisation concerned;
- (b) effective systems for ensuring that the functions are performed in a satisfactory manner;
- (c) in the case of intermediate bodies, reporting to the authority responsible on the performance of their tasks and the means employed.”

Article 4 continues:

“The management and control systems referred to Article 3 shall include procedures to verify the authenticity of the expenditure claimed and execution of the project from its preparatory stage through to the entry into service of the financed investment in accordance with the terms of the relevant granting Decision with the objectives assigned to the project, and with applicable national and Community rules on, in particular, the eligibility of expenditure for support from the Cohesion Fund, protection of the environment, transport, trans-European networks, competition and public procurement. Verifications shall cover all aspects, whether of a financial, technical or administrative nature, that determine the effective utilisation of the funds committed.

The procedures shall require the recording of verifications of projects on the spot. The records shall state the work done, the results of the verification and the measures taken in respect of discrepancies. Where any physical or administrative verifications are not exhaustive, but performed on a sample of works or transactions, the records shall identify the works or transactions selected and shall describe the sampling method.”

B. Key and Ancillary elements of proper Management and Control Systems

Management and control systems for the Cohesion Fund consist of various elements or functions of greater or lesser importance for ensuring the legality, regularity and eligibility of expenditure declared for co-financing. For the purpose of assessing flat rate corrections for deficiencies in such systems or individual cases of irregularity, the Commission has classified the functions of management and control systems into key and ancillary elements.

Key elements (see below) are those designed and essential to ensure the legality and regularity and indeed the substance of operations supported by the Fund.

Ancillary elements (see below) those that contribute to the quality of a management and control system and help ensure that the system keeps performing well in relation to its key functions.

1. Key elements for ensuring eligibility for co-financing

1.1 Provision and application of procedures ensuring:

- a) at the planning and design stage
 - compliance, where applicable, with national and EU rules on publicity, public procurement and environmental protection, and with the general Treaty rules and principles of transparency, equality of treatment and non-discrimination where EC public procurement directives are not applicable;
 - adequacy of preliminary and technical studies
- b) in the pre-selection of projects for funding, especially within groups of projects:
 - projects selected correspond to the objectives and published criteria;
 - observance of eligibility rules;
- c) selection of contractors/suppliers in according with public procurement rules.

1.2 Adequate verification of delivery of products and services and of eligibility of expenditure

- on the part of the implementing body :
 - (a) verifying the reality of “deliverables” (services, works, supplies, etc.) against plans, invoices, acceptance documents, experts’ reports, etc., and, where appropriate, on the spot;

- (b) verification of observance of conditions of grant approval and of the procedures for changing those conditions;
- (c) verification of eligibility of amounts claimed;
- (d) adequate follow-up of all outstanding questions before acceptance of claim;
- (e) maintenance of an adequate and reliable accounting system;
- (f) maintenance of the audit trail at all levels from the implementing body or body or firm carrying out operation up through the system.

2. Ancillary elements

- a) satisfactory administrative controls in the form of standard checklists or equivalent means and proper documentation of results, to ensure for instance :
 - that claims have not been paid before and transactions (contracts, receipts, invoices, payments) are separately identifiable;
 - reconciliation within the accounting system of declarations and expenditure recorded;
- b) proper supervision of payment processing and authorisation procedures;
- c) satisfactory procedures to ensure proper dissemination of information about EU rules;
- d) ensuring timely payment of Community funding to beneficiaries.

Data provided in this context should, in particular, show:

1. The procedures/systems involved and the unit responsible for their implementation;
2. The documents which have been created, the data systems used and the unit responsible for these;
3. The management and control systems in existence for financial data flows; who audits them and how the findings are reported;
4. Who audits co-funded expenditure and how are the results reported.

All possible weaknesses, risks or irregularities identified in the implementation process should also be reported and proposals to address these should be provided.

Form A

Compliance with Cohesion Fund Regulations and Associated Commission Decisions

I confirm that my Department and all Agencies/Bodies involved in the implementation of co-funded operations have received copies of and are bound by Finance Circular 41/2002 and the terms of the following Regulations, Decisions etc., governing the administration of the Cohesion Fund.

- General Regulation:
Council (EC) No. 1164/94 of 16 May, 1994, establishing a Cohesion Fund, as amended by Council Regulations (EC) Nos 1264/99 and 1265/99 of 21 June 1999.
- Council Regulation (EC Euratom No.) 2988/95 on the protection of the European Communities Financial Interests.
- Council Regulation (Euratom, EC) No. 2185/96 concerning on-the-spot checks and inspections carried out by the Commission to protect the European Communities financial interests against fraud and other irregularities.
- Commission Regulation (EC) No. 1831/94 of 26 July 1994 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the Cohesion Fund and the organisation of an information system in this field.
- Commission Regulation (EC) No. 1386/2002 of 29 July 2002 laying detailed rules for the implementation of Council Regulation (EC) No. 1164/94 as regards the management and control systems for assistance granted under the Cohesion Fund and the procedure for making financial corrections.
- Principles Governing Eligibility of Expenditure in the Framework of Projects Assisted by the Cohesion Fund, annexed to Commission Decisions granting assistance from the Cohesion Fund.
- Commission Regulation (EC) No. 16/2003 of 6 January 2003 on eligibility of expenditure in the context of measures part-financed by the Cohesion Fund (applies only to new projects first approved in 2003).

- Commission Decision 96/455/CE of 25 June 1996 on information and publicity measures to be carried out by the Member States concerning the activities of the Cohesion Fund.
- Commission Decision(s) in respect of the Project(s) for which my Department has responsibility.

Secretary General _____

Department of _____

Date _____

FORM B 1

CERTIFICATION REPORT

COHESION FUND PROJECT OR GROUP OF PROJECTS

FUND: COHESION FUND

Reporting period from/...../200... to/...../200...

Project Title: _____

Project Reference : _____

Implementing Body (Level 1)**: _____

Intermediate Body 1 (Level 2)*** : _____

Intermediate Body 2 (Level 2)*** : _____

(where appropriate)

Managing Authority (Level 3): _____

Total eligible cost approved for project: _____

Total C.F. Aid approved for project _____

Project level

Total eligible certified expenditure returned previously to/...../200... 1	Adjustments in respect of prior B1 period(s) (see schedule attached) 2	Certified eligible expenditure for this period/...../200.. to/...../200... 3	Amount of certified eligible expenditure, as adjusted, being claimed in this period 4=2+3	Cumulative certified eligible expenditure/...../200... to/...../200... 5=1+4
€	€	€	€	€

* The Intermediate Body will insert reference when it receives a copy of Form B1.

** The public or private body responsible for organising tenders for the project.

***Intermediate Bodies mean all public or private bodies or services acting under the responsibility of managing or paying authorities or performing tasks on their behalf in relation to implementing bodies

Please confirm that:

Level 1

Tick box for confirmation

1. Expenditure on the project is consistent with the provisions of the Principles governing the eligibility of expenditure in the framework of projects assisted by the Cohesion Fund
2. The project is being implemented in a manner consistent with the objectives set out in the relevant Commission decision
3. The payment application for EU recoupment is based on eligible expenditure actually paid out by the implementing body and supporting documentation is available
4. The expenditure for which recoupment is sought has been incurred and paid within the eligibility period for the project
5. Community rules on competition and public procurement, environmental protection, transport and trans-European networks have been observed
6. EU publicity requirements are being observed, including at Implementing body level i.e. in conformity with Commission Regulation (EC) 96/445 of 25 June 1996 (information & publicity)
7. Physical and financial progress are being monitored, including on the spot site inspection where appropriate
8. No EU aid has been received for the project under another decision on Cohesion Fund aid or from the Structural Funds
9. A separate accounting system or an adequate accounting code is being maintained for all transactions relating to the operation
10. Evidence of receipt of funding by the final recipient of the grant is available
11. Details of the underlying transactions are recorded, where possible, on computer files and are available on request to the Commission Services responsible and to national authorities
12. A satisfactory audit trail exists i.e. in conformity with Annex I of Commission Regulation (EC) 1386/2002.

13 All original supporting documentation will be retained in accordance with Article G(3) of Council Regulation (EC) 1164/94 i.e. for three years after the closure of the project

14. Expenditure has been reconciled between the administrative unit and the accounts/finance unit and any differences explained

Have any financial control weakness, risk or irregularities been identified in the execution of the project(s)? Yes / No

If yes, please specify:

What corrective action has/will be taken

Specify the controls applied to guarantee valid certification:

LEVEL 1

I certify that the controls listed from 1 to 14 above have been performed and on that basis the eligible expenditure declared is correct.

Report Prepared by: _____ **Implementing Body** _____ **Date:** _____
(Certified)

Name (block capitals): _____

Position held (block capitals): _____

Countersigned by: _____ **Implementing Body** _____ **Date:** _____
(Validated)

Name (block capitals): _____

Position held (block capitals): _____

When completed, this report and project schedule (as appropriate) should be returned to the Intermediate Body and a copy retained.

FORM B 2

CERTIFICATION REPORT

COHESION FUND PROJECT OR GROUP OF PROJECTS

FUND: COHESION FUND

Reporting period from/...../200... to/...../200...

Project Title: _____

Project Reference : _____

Implementing Body (Level 1) : _____

Intermediate Body (Level 2)*** : _____

Intermediate Body 2 (Level 2)*** : _____

(where appropriate)

Managing Authority (Level 3): _____

Total eligible cost approved for project: _____

Total C.F. Aid approved for project _____

Cohesion Fund amount being claimed this period: _____

Project level

Total eligible certified expenditure returned previously to/...../200... 1	Adjustments in respect of prior B1 period(s) (see schedule attached) 2	Certified eligible expenditure for this period/...../200.. to/...../200... 3	Amount of certified eligible expenditure, as adjusted, being claimed in this period 4=2+3	Cumulative certified eligible expenditure/...../200... to/...../200... 5=1+4
€	€	€	€	€

As per supporting schedule of certification reports (Forms B1).

* The Managing Authority will insert reference when it receives a copy of Form B2.

** An Intermediate Body means all public or private bodies or services acting under the responsibility of managing or paying authorities or performing tasks on their behalf in relation to final beneficiaries or the bodies or firms carrying out operations (this can include implementing bodies)

Please confirm that:

LEVEL 2 - INTERMEDIATE BODY

Tick box for Confirmation

- 1. Management and control procedures in accordance with the reporting body's Procedural Manual are in place at level 1.
- 2. Steps, including sample checking of information at level 1, have been taken to give reasonable assurance that the amount returned is correct and the working papers are available for inspection.

Have any financial control weakness, risk or irregularities been identified in the execution of the project(s)?

Yes / No

If yes, please specify:

What corrective action has/will be taken

Specify the controls applied to guarantee valid certification:

LEVEL 2

We certify that requirements 1 and 2 have been complied with and on that basis are satisfied that the eligible expenditure declared is correct.

Report Prepared by: _____ Intermediate Body _____ Date: _____
(Certified)

Name (block capitals): _____

Position held (block capitals): _____

Countersigned by: _____ Intermediate Body: _____ Date: _____
(Validated)

Name (block capitals): _____

Position held (block capitals): _____

When completed, this report and appropriate schedule should be returned to the Managing Authority for the Programme and a copy retained

FORM B 3

CERTIFICATION REPORT

COHESION FUND PROJECT OR GROUP OF PROJECTS

FUND: COHESION FUND

Reporting period from/...../200... to/...../200...

Project Title: _____

Project Reference: _____

Managing Authority: _____

Total eligible cost approved for project: _____

Total C.F. Aid approved for project _____

Cohesion Fund amount being claimed this period: _____

Project level

Total eligible certified expenditure returned previously to/...../200... 1	Adjustments in respect of prior B1 period(s) (see schedule attached) 2	Certified eligible expenditure for this period/...../200.. to/...../200... 3	Amount of certified eligible expenditure, as adjusted, being claimed in this period 4=2+3	Cumulative certified eligible expenditure/...../200... to/...../200... 5=1+4
€	€	€	€	€

As per supporting schedule of certification reports (Forms B2).

Please confirm that:

LEVEL 3 - MANAGING AUTHORITY

Tick box for Confirmation

1. Management and control procedures in accordance with the reporting body's Procedural Manual are in place at level 2.

2. The amount being claimed is in accordance with the latest financial tables.

3. Steps, including sample checking of information at level 2, have been taken to give reasonable assurance that the amount returned is correct and the working papers are available for inspection []

4. A debtor's ledger is being maintained, in accordance with paragraph 8 of Finance Circular 28/2003 []

Have any financial control weakness, risk or irregularities
Been identified in the execution of the project(s)? Yes / No
[] []

If yes, please specify:

What corrective action has/will be taken

Specify the controls applied to guarantee valid certification:

LEVEL 3

We certify that requirements 1 to 4 have been complied with and on that basis are satisfied that eligible expenditure declared is correct.

Report Prepared by: _____ Managing Authority _____ Date: _____
(Certified)

Name (block capitals): _____

Position held (block capitals): _____

FORM C

CERTIFICATE AND STATEMENT OF EXPENDITURE AND APPLICATION FOR PAYMENT

EUROPEAN COMMISSION
COHESION FUND

Interim/final certificate and statement of expenditure and application for payment
(to be sent to unit ... of DG REGIO through official channels)

Name of project: _____

Commission Decision No _____ of _____

Commission Reference (CCI No) _____

National reference _____ (if any)

CERTIFICATE

I, _____ the _____ undersigned
paying authority designated _____, representing the _____ by³

hereby certify that all eligible expenditure included in the attached statement, representing the contributions of the Cohesion Fund and national funding, was paid in line with the progress of the project

after⁴:

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

and amounts to:

	EUR
--	-----

(exact amount to two decimal places)

The attached statement of expenditure broken down by category of expenditure, and by project in the case of a group of projects, covers expenditure up to

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

and is an integral part of this certificate, as is the accompanying report on progress of the project compared with plans/final report.

I also certify that the project is making satisfactory progress towards completion/has been completed in accordance with the objectives and that the information given in the progress report/final report is correct.

I further certify that the project is being/has been implemented in accordance with the terms of the decision and in compliance with the provisions of Regulation (EC) No 1164/94, in particular as regards:

³ Indicate the administrative instrument of designation in accordance with Article D(1) and (4) of Annex II to Regulation (EC) No 1164/94, with appropriate references and the date.

⁴ Starting date for eligibility of expenditure under the decision.

- (1) compliance with the provisions of the Treaty and instruments adopted under it and with Community policies, in particular the rules on protection of the environment, transport (including trans-European networks), competition, and the award of public contracts (Article 8 of Regulation (EC) No 1164/94);
- (2) application of management and control procedures to the project, in particular to verify the reality of expenditure claimed and the proper execution of the project in accordance with Article 4 of Regulation (EC) No ... and to prevent, detect and correct irregularities, pursue fraud, and recover unduly paid amounts (Article 12 of Regulation (EC) No 1164/94 and Articles G and H of Annex II thereto).

In accordance with Article G(3) of Annex II to Regulation (EC) No 1164/94, 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.

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 and interest received thereon;
- (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 in capitals, stamp, position and signature of competent authority

Statement of expenditure incurred in the project⁵

Reference No (CCI code – Code commun d'identification) :

Name of project

Date

Category of expenditure	Total expenditure incurred to date (between ... ⁶ and ...)	Expenditure certified in present declaration	Total expenditure planned (initial budget)	Expenditure incurred to date, as proportion of initial budget (%)	Estimated expenditure still required to complete project
1. Planning					
2. Land acquisition					
3. Site preparation					
4. Building and construction					
5. Equipment					
6. Technical assistance					
7. Publicity ⁷					
8. VAT or equivalent					
TOTAL					

⁵ For decisions on groups of projects, expenditure must be broken down by project, except where the expenditure is common to the group, as it in the case of technical assistance or publicity.

⁶ Starting date for eligibility of expenditure.

⁷ Under Decision No 96/455/CE (OJ L 188, 27.7.1996, p. 47)

Annex to statement of expenditure: recoveries effected since the last certified statement of expenditure and included in the present statement of expenditure

<i>Amount ordered to be recovered</i>	
<i>Debtor</i>	
<i>Date of issue of recovery order</i>	
<i>Authority which issued recovery order</i>	
<i>Date of recovery</i>	
<i>Amount recovered</i>	

APPLICATION FOR INTERIM/FINAL PAYMENT

Name of project: _____
 Commission reference (CCI No) _____

Pursuant to Article D(2)(b)/(d) of Annex II to Regulation (EC) No 1164/94, 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^s. This application meets the admissibility requirements because:

Delete as appropriate

(a) the report on the progress of the project in relation to physical and financial indicators and demonstrating its conformity with the decision granting the assistance, including the specific conditions laid down	- is enclosed
(b) the latest annual report/the final report on implementation required under the annex to Annex II to the Regulation/Article F(4) of Annex II to the Regulation, including in the latter case details of compliance with the public procurement rules	- has been supplied - is enclosed
(c) observations and recommendations made by national and/or Community audit authorities, in particular the correction of suspected or proven irregularities	- have been acted upon - no observations or recommendations made
(d) the main technical, financial and legal problems that have arisen and the measures taken to correct them	- are indicated - none observed
(e) the analysis of any departures from the original financial plan	- has been supplied - is enclosed
(f) the publicity measures taken with regard to the project	- are indicated
(g) none of the certified expenditure has been suspended pursuant to Article G(2) or H(2) of Annex II to the Regulation	

Payment should be made to:

Beneficiary:				
Bank:				
Account No				
Account holder (if different from beneficiary)				
Date	<table border="1"> <tr> <td></td> <td></td> <td>20__</td> </tr> </table>			20__
		20__		

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

^s Delete as appropriate.