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**NEWSFLASH – 8 DECEMBER 2017 - FEEDBACK FROM ARTICLE 125 VISIT**

The Managing Authority’s (MA) verification team expect a lot of detail and evidence when they carry out their Article 125 checks. The team are seeking assurance that the claims made for the BBO programme are compliant with ESF regulations.

The first verification visit has been completed and raised a number of issues, some of which were unexpected. The following are the key points that you need to be aware of**, are not a replacement for BBO and ESF guidance**, and should be used alongside the guidance:

1. **1720 METHODOLOGY FOR STAFF WORKING LESS THAN 100% BBO**

Thus far, projects employing staff who work only part of their time on BBO have been using the 1720 methodology to calculate their hourly rate. However, as part of that methodology the most recent month’s salary has been used to calculate the yearly salary.

In line with ESF guidance the calculation to be used is:

**Hourly staff cost = latest documented annual gross employment costs**

 **1720**

**Points to note:**

* The latest annual gross employment cost has to be documented through accounts, payroll reports, and such. This information does not have to be audited ex-ante but has to be auditable.
* The Regulation refers to latest documented annual gross employment costs.
* **Latest documented annual gross employment costs means having a past reference period of one year (12 consecutive months). Where the post is a new post or has been in existence for less than a year, the salary used in the calculation must be the basic salary of the relevant individual (usually documented in the letter of appointment), with no incentives included due to a short term contract term.**
* Only the hours actually worked should be used for calculating the eligible staff costs. For instance, annual leave is already included in the 1720 calculation of hourly staff costs.
* The value of this methodology is that the 1720 hours cannot be questioned.

**ACTION REQUIRED: The good news is that the Article 125 team has agreed that this approach does not need to be applied retrospectively. However, from your 2018 Q1 claim onwards, when using the 1720 calculation you must use the previous 12 months’ salary as outlined in the third bullet point above, and not the most recent month’s salary. Please note that we need to approve your hourly rates and they can be reviewed annually.**

1. BRANDING

The incorrect branding of projects is one of the most common reasons for clawback of funds. The MA has raised an issue with the use of the ESF logo, stating that project, funding and organisational logos must not be larger than the ESF logo. Although we are pushing back on this interpretation of the policy it would be best to amend as many instances as possible where project and organisational logos appearing on the same material as the ESF/BBO logo are larger than it, this includes banners on websites.

**ACTION REQUIRED: Ensure that the BBO logo is equal to or larger than any other logo on all materials, including websites, correcting retrospectively where possible.**

1. EVIDENCE & CERTIFICATION OF DOCUMENTS

Copies of evidence related to staff costs or direct costs, for example payroll listings, BACS runs and bank statements, should be certified as a true copy of the original by an appropriate person. The MA has suggested this should be a finance manager or equivalent. The MA has confirmed that screen prints of payroll systems certified as true copies would be acceptable.

For projects delivered by a consortium of partners, it is the lead organisation (grant recipient) that is responsible for the audit trail. The lead organisation must ensure that delivery partners and sub-contractors keep adequate records. To fulfil this responsibility, lead organisations will need to show that they have systems in place to verify the information provided and held by partners.

Lead organisations should agree with their partners how documentation used to support eligible expenditure, relating to both financial and participant records, will be verified. This should be recorded in a policy, outlining the names and posts of those that are authorised to certify copies as a true copy of the original document.  For financial information, such as staff costs, it may be the finance director, and for participant evidence, such as passports, it may be project workers.  As a minimum, the following should be included:

I certify that this is a true copy of the original document:

Signed

Print Name

Date

Position in organisation

Name of organisation

The lead organisation should then check that the appropriate person within the delivery organisation has certified copied documents as true to the original. Grant recipients are welcome to add to this declaration or include additional procedures in line with their own organisation’s policies should they wish to do so.

**Retrospectively**

If there has been no process in place for verifying existing documents it is important that documentation is not retrospectively certified where the original is no longer available. However, organisations may wish to consider certifying copies in line with the above if the original copy is still available.

**ACTION REQUIRED: Ensure that robust systems are in place to verify information held. Certify copies of documentation as outlined above.**

1. TIMESHEETS

**ACTION REQUIRED: Timesheets need to include all hours worked, including hours on BBO, non-BBO, ESF and non-ESF work.**

**We are in the process of agreeing a sample timesheet with the MA and will share this with you when agreed.**

1. STAFF APPOINTMENT LETTERS

**ACTION REQUIRED: Letters of appointment must be signed and dated, feature the BBO logo, include salary, start and finish dates for the involvement in BBO, confirm that the post is part funded by ESF and matched by Big Lottery Fund, and have an accompanying job description.**

1. STAFF CHANGES

All changes, including any changes in personnel or changes to your structure or job roles funded by BBO, must be evidenced on Annex D – Changes to your project form.

**ACTION REQUIRED: Complete an Annex D form to reflect any changes.**

1. OVER CLAIMING

An over claim of as little as 1p is an irregularity, so rounding of figures is not acceptable.

1. CROSS CUTTING THEMES

The MA will ask to see copies of your project-specific equalities and sustainability policies and action plans. To demonstrate that these are living documents you will need to evidence that they have been regularly reviewed in line with your review dates and process.

**ACTION REQUIRED: You must have a project-specific policy and action plan for each of the cross cutting themes. They must be version controlled, including review dates, and must be up to date and correctly branded. If you have an organisational policy that the BBO project can adopt you should include a page in your organisational policy with the ESF logo on it, with a statement confirming that the project will adhere to the organisational policy. The Ecorys webinar held on 5 December will be available to watch on our website soon.**

1. DOCUMENT RETENTION

Before destroying evidence, please check that you are meeting compliance requirements with regards to retention periods and mark stored documents to remind you to do this.

1. ELIGIBILITY CHECKS

During the Article 125 visit, you must be able to demonstrate how you assess participant eligibility against the programme criteria during the referral process.

**ACTION REQUIRED: Ensure you understand the eligibility criteria and can talk the 125 team through your process and the documentation supporting it. If you have a MIS it is likely the team will want to see this as well.**

1. DEFRAYAL, STAFF COSTS, NATIONAL INSURANCE & TAX

The verification team will look at your total payroll against certified and true copies (as outlined in no. 3 above) to check it matches BACS payments. The team expects you to demonstrate a complete chain of evidence right through to defrayal for all costs.

**ACTION REQUIRED:** **Ensure you have a complete evidence chain for all staff costs through to defrayal, timesheets (if needed), copies of payslips, extracts of payroll listings, BACS runs and bank statements. You will also need to evidence defrayal of the associated tax and NI.**

**Pay roll listings should be redacted to show only the staff in question, but include the final page with the total so that it can be linked to a BACS run.**

**For all other direct costs ensure you have a complete chain of evidence through to defrayal.**

1. ANTI-FRAUD & WHISTLEBLOWING

Organisations are expected to have anti-fraud and whistleblowing policies that cover both staff members and participants. Where partners are not signed up to project wide policies, the MA expects the lead organisation to monitor the quality of the delivery partners’ policies.

**ACTION REQUIRED: Ensure you and your partners have robust anti-fraud and whistleblowing policies for both staff and participants.**