

ANNEX V

Audit and Monitoring Requirements

1. Audit

Audit requirements

- 1.1 All projects receiving Community funding will be audited (at least once) during the life time of the programme. The project leaders are to support auditors in their work providing all the information necessary.
- 1.2 The Bodies that will carry out audits include:
 - Compliance Assurance Office
 - Internal Audit and Investigations Directorate
 - The National Audit Office
 - The European Commission
 - Court of Auditors
- 1.3 The Compliance and Assurance Officers (CAO) will perform the 5% checks under the Structural Funds as per Article 10 of EC regulation 438/ 2001.
- 1.4 On the spot checks (as distinct from audits) will be performed by the MA or the respective IB. These checks will be both documentary and physical as outlined in Article 4 of EC regulation 438/2001.
- 1.5 The Applicant must ensure that supporting documentation is maintained and made available to auditors to ensure that the audit is not delayed.
- 1.6 A Structural Fund project leader must comply with the deadlines set for any requests for information concerning the project. Auditors from any of the organisations listed under section 1.2 above or their representatives shall have the right **with a minimum of one working day's notice**, to audit the project and to require such further information as they deem necessary; and to be provided with copies of such documents or items as they shall require.
- 1.7 The Applicant must comply with conclusions/ recommendations of audit reports.

2. Control

- 2.1 Article 38 of EC Regulation 1260/1999 and EC Regulation 438/2001 set out the general provisions for financial control. The Managing Authority takes responsibility in the first instance for financial control of the assistance. The measures the Managing Authority takes shall include:
 - (a) verifying that management and control arrangements for individual projects have been set up and are being implemented in such a way as to ensure that Community funds are being used efficiently and correctly;
 - (b) carrying out on-the-spot checks (with regards to ESF, EAGGF, and FIFG projects, these may be also be carried out by the relevant Intermediate Bodies), including sample checks, on the operations financed by EU funds and on management control systems;
 - (c) issuing a Manual of Procedures to ensure that all assistance is managed in accordance with all the applicable Community rules and the funds are used in accordance with the principle of sound financial management.

3. Retention of Documents and inventory of assets

- 3.1 Original documents relating to the implementation of the project and its financing should be retained (made accessible to the Managing Authority, Paying Authority, Intermediate Body and Internal/External Auditors) until the three years after the EC has made the final payment to Malta in respect of the programme. The target date for such final payment is mid-2009, therefore documents must be retained until the end of 2012. At the end of 2012, documents may be archived in line with national legislation.
- 3.2 The retention of documents for inspection is an EC requirement and forms part of the terms and conditions under which the grant has been agreed (EC Regulation 1260/99 Article 38 (6)). As well as being made

available to the Internal/External auditors of a project, grant recipients must produce the original documents or certified true copies when required to do so by the European Court of Auditors, European Commission auditors, the Office of the Prime Minister (Planning & Priorities Co-ordination Division), the Intermediate Bodies and Ministry of Finance (EU Paying Authority Directorate). Failure to produce the original documents or satisfactory agreed substitutes could result in repayment of funds disbursed/ suspension/ withdrawal of commitments.

3.3 Further detail on the retention of document may be viewed in the Manual of Procedures, however the following documents should definitely be retained possibly in ring files using separators for different sections (for ease of reference):

- Project documents
- Letter of offer
- Tender Dossier/ Contracting documents
- Contracts
- Payments/Invoices
- Debit advices (corresponding to payments)
- Monthly reports
- Audit reports
- Inventory of assets

3.4 The Applicant must establish and maintain an inventory of all fixed assets acquired, built, or improved wholly or partly using Community funds, whether owned by partnership members or third parties. An asset is defined as an item that will not be used up within 12 months and which is not intended to be sold before the end of its useful life.

3.5. The inventory should show the following:

- i) date of purchase;
- ii) description of asset;
- iii) price paid net recoverable VAT;
- iv) amount of ERDF/ESF/EAGGF/FIFG grant paid;
- v) location of the title deeds;
- vi) serial or identification numbers;
- vii) location of the asset;
- viii) date of disposal (if applicable); and
- ix) sale of proceeds net of VAT (if applicable).

3.6 Further details of document retention are set out in the manual of procedures.

4. Monitoring

4.1 The applicant is obliged to provide the relevant monitoring reports and or additional information as required to enable to Monitoring Structures to monitor and follow up progress related to the project.

4.2 The applicant is hereby notified that relevant details will be provided by the Managing Authority/ Intermediate Body to the Monitoring Committee for Structural Funds and to the relevant Sectoral Monitoring Sub-Committee and or Regional Project Committee (Gozo) as appropriate and according to requests received.

4.3 The applicant is to input (within stipulated deadlines) information into the Structural Fund Database (SFD) as required by the relevant Manual of Procedures.