MANUAL OF PROCEDURES
FOR PROJECTS IMPLEMENTATION
COHESION POLICY 2014 – 2020
MALTA

GUIDE TO BENEFICIARIES
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Preface

The purpose of this Manual of Procedures is solely to provide guidance to Beneficiaries. It should be interpreted in conjunction with the general principles as laid out in:


*These Guidelines cannot in any way override the general principles included in these Regulations and any subsequent amendment.*

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## List of Acronyms

<table>
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<tr>
<th>Acronym</th>
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<tr>
<td>AG</td>
<td>Accountant General</td>
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<td>AIR</td>
<td>Annual Implementation Report</td>
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<td>CA</td>
<td>Certifying Authority</td>
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<td>CAN</td>
<td>Contract Award Notice</td>
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<td>CBM</td>
<td>Central Bank of Malta</td>
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<td>CF</td>
<td>Cohesion Fund</td>
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<td>CV</td>
<td>Curriculum Vitae</td>
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<td>DAS</td>
<td>Departmental Accounting System</td>
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<td>Department of Contracts</td>
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<td>DCS</td>
<td>Director Corporate Services</td>
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<td>DPI</td>
<td>Director Programme Implementation</td>
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<td>EAFRD</td>
<td>European Agricultural Fund for Rural Development</td>
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<td>EE</td>
<td>Energy Efficiency</td>
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<td>Electronic Request for Service</td>
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<td>IAID</td>
<td>Internal Audit and Investigations Directorate</td>
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<td>IB</td>
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<td>ISC</td>
<td>Invoice Status Certificate</td>
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<td>KNPD</td>
<td>National Commission for Persons with a Disability</td>
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<td>MCA</td>
<td>Malta Communication Authority</td>
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<td>MSDEC</td>
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<td>Manual of Procedures for Structural Funds</td>
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1. Introduction

1.1 Guide to Beneficiaries

1. This Manual of Procedures (henceforth referred to as the MoP) is designed to guide Beneficiary organisations involved in the management and implementation of projects co-financed under the European Regional Development Funds, the Cohesion Fund and the European Social Fund.

2. In 2014-2020 programming period, these Funds - together with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime & Fisheries Fund (EMFF) - are covered by a single set of rules covering the EU's 5 structural and investment funds (ESIF).

3. The ESIF funds are allocated according to a Partnership Agreement (PA) between the European Commission and Malta which sets out the National Authority's plans on how to use funding from the European Structural and Investment Funds between 2014 and 2020. The Partnership Agreement outline each country's strategic goals and investment priorities, linking them to the overall aims of the Europe 2020 strategy for smart, sustainable and inclusive growth.

4. The PA is complemented by Operational Programmes (OPs) which each set out the priority areas in which the ESIF will be utilised. The OPs which are ruled under this MoP are and are referred to as:

- Operational Programme I – 2014/2020 [henceforth OPI 14-20 ] - Fostering a competitive and sustainable economy to meet our challenges;


- In addition to the above, this MoP covers also the implementation of Operation Programme ‘The Food Support for the Most Deprived. Persons in Malta’, which is financed by the Fund for European Aid to the Most Deprived.

5. Operational Programme I – 2014/2020 (OP I 14-20 ) sets out the priorities and focus areas in which projects will be implemented through ERDF and the CF; Operational Programme I SME Initiative (OPI SME 14-20), financed through ERDF will facilitate SME access to finance, by providing guarantees through a joint instrument blending Horizon 2020, COSME and ERDF resources; while Operational Programme II (OPII 14-20) establishes the priorities and focus areas in which projects will be implemented through ESF. The FEAD Programme is an instrument which aims to alleviate the worst forms of poverty by providing non-financial assistance to the most deprived persons.

6. In Malta the overall co-ordination and management of the Structural Funds and the Cohesion Fund falls under the direct responsibility of the Planning and Priorities Co-ordination Division (PPCD) within the Ministry for European Affairs and Implementation of the Electoral Manifesto (PPCD within MEAIM). PPCD is the designated Managing Authority for all the above mentioned Operational Programmes. The Planning and Priorities Coordination Division will also be responsible for managing and coordinating the Fund for European Aid to the Most Deprived (FEAD).

7. It is important to note that projects implemented through the above mentioned Funds always require both EU and National Public funds. An element of co-financing from voluntary organisations or the private sector may also be applicable in the case of projects implemented by these organisations.

8. In addition to what has been listed in the preface of this document, the main Regulations which lay down the general provisions for the implementation of operations under 2014-2020 programming period are:
- **The Commission Implementing Regulation (EU) 2015/207** of 20 January 2015 laying down detailed rules implementing Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards the models for the progress report, submission of the information on a major project, the joint action plan, the implementation reports for the Investment for growth and jobs goal, the management declaration, the audit strategy, the audit opinion and the annual control report and the methodology for carrying out the cost-benefit analysis and pursuant to Regulation (EU) No 1299/2013 of the European Parliament and of the Council as regards the model for the implementation reports for the European territorial cooperation goal.


- **The Commission Implementing Regulation (EU) No 821/2014 of 28 July 2014** laying down rules for the application of Regulation (EU) No 1303/2013 of the European Parliament and of the Council as regards detailed arrangements for the transfer and management of programme contributions, the reporting on financial instruments, technical characteristics of information and communication measures for operations and the system to record and store data.

- **The Commission Implementing Regulation (EU) No 288/2014 of 25 February 2014** laying down rules pursuant to Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund with regard to the model for operational programmes under the Investment for growth and jobs goal and pursuant to Regulation (EU) No 1299/2013 of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal with regard to the model for cooperation programmes under the European territorial cooperation goal.

- **The Commission Implementing Regulation (EU) No 184/2014 of 25 February 2014** laying down pursuant to Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund, the terms and conditions applicable to the electronic data exchange system between the Member States and the Commission and adopting pursuant to Regulation (EU) No 1299/2013 of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal, the nomenclature of the categories of intervention for support from the European Regional Development Fund under the European territorial cooperation goal.

- **The Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014** on the European code of conduct on partnership in the framework of the European Structural and Investment Funds.

9. This MoP provides guidance for projects co-financed through OPI 14-20, OPI (SMEs) 14-20 OP II 14-20 and FEAD OP. In the case of the Aid Schemes managed by Intermediate Bodies
further guidance notes will be issued in relation to the implementation of aid schemes for businesses under Article 107 of the Treaty.

10. In the case of projects which will involve a call for applications to the general public or segments thereof, such is the case of scholarships for students and energy schemes for households further guidance is also issued by the organisation responsible to manage these projects. Such guidance may supersede some of the provision within the MoP and the National Eligibility Rules.

11. This MoP is subject to regular revisions and changes. Should there be changes to the MoP, all project leaders and stakeholders will be informed and an updated version of the MoP will be placed on the website of the Managing Authority.

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2 The Treaty of the Functioning of the EU, 2009; which can be downloaded from: http://eur-lex.europa.eu/oj-direct-access.html
2. Roles, Responsibilities & Channels of Communication

2.1 Managing Authority (MA)
In accordance with Article 123 (1) of the Common Provisions Regulation, the Planning & Priorities Coordination Division within Ministry for European Affairs and Implementation of the Electoral Manifesto (MEAIM) is the designated Managing Authority for the following Operational Programmes:

- Operational Programme I – 2014/2020 [henceforth OPI 14-20] - *Fostering a competitive and sustainable economy to meet our challenges*;


- In addition to the above, this MoP covers also the implementation of Operation Programme ‘*The Food Support for the Most Deprived. Persons in Malta*’, which is financed by the Fund for European Aid to the Most Deprived.

The general functions of the managing authority are set down in Article 125 of the Common Provisions Regulation (EU) No. 1303/2013.

Contact Details at MA:
Planning and Priorities Coordination Division
Triq il-Kukkanja
Sta Venera SVR 1411
Malta

*Tel. no.: (+356) 2200 1142/3*  
*Fax no.: (+356) 2200 1141*  
*Email: info.ppcd@gov.mt*

2.2 Certifying Authority
The EU Paying Authority Directorate within the Ministry for Finance (MFIN) is the designated Certifying Authority for ERDF, CF & ESF OPs in line with Article 123 (2) of the Common Provisions Regulations.

In line with article 126 of the REGULATION (EU) NO. 1303/2013, the CA is entirely responsible for the certification process as well as providing Government with information (and compile relevant reports) on requests for interim payments, funds received, debtors’ ledger status and related issues and transferring funds to the MFIN Revenue Vote following receipt of Funds from the Commission in terms of Articles 129 and 130 of REGULATION (EU) NO. 1303/2013.

Contact Details at CA:
*Tel. no.: (+356) 2599 8266*  
*Fax no.: (+356) 2599 8418*  
*Email: payingauthority.mfin@gov.mt*
2.3 Audit Authority

The Internal Audit & Investigations Department (IAID) is the designated Audit Authority in line with Article 123 (4) of the REGULATION (EU) NO. 1303/2013. The IAID is the executive branch of the Internal Audit Investigations Board (IAIB) within the Office of the Prime Minister and is regulated by the Internal Audit and Financial Investigations Act 2003 (Chapter 461, Laws of Malta).

The functions of the audit authority are set down in Article 127 of the Common Provisions Regulation (EU) No.

The IAID can be contacted on:

Tel. no.: (+356) 2123 7737
Fax no.: (+356) 2123 7681
Email: info.iaid@gov.mt

2.4 Intermediate Body (IB)

In line with Article 123 (7) of the REGULATION (EU) NO. 1303/2013, the Managing Authority has entrusted to an Intermediate Body the implementation of the schemes under Article 107 of the Treaty. In Malta, Intermediate Bodies are public organisations identified by the Member State that carry out some functions on behalf of the Managing Authority.

In this case, the Beneficiaries are the enterprises receiving aid under the scheme. There is one IB under the ERDF[^3] and one IB under the ESF[^4]. There are no IBs for the Cohesion Fund. In the case of aid schemes specific guidance notes are issued by the relevant Intermediate Body. Requests for information concerning the IBs can be sent to the Managing Authority.

2.5 Line Ministry (LM)

1. In most cases the Director Programme Implementation (DPI) and/or the Director for EU Affairs is responsible for the Line Ministry function. The DPI has to ensure that the full LM function (including raising the commitment in the Departmental Accounting System) is carried out efficiently by the relevant officers within the LM.

2. The Line Ministry is primarily responsible for the inter-agency co-ordination for all projects implemented by any Department/public organisation forming part of the Ministry’s portfolio. The co-ordination function is applicable from the very start, including providing Ministerial input at programming stage; supporting agencies at the moment of submission of proposals; providing support to Beneficiaries (excluding IBs) during implementation – including liaison with MA and other horizontal stakeholders; processing of the second stage of the payment process (including SFD input) and submission to Treasury once documentation is correct; monitoring of projects falling within the Ministry’s portfolio, including the endorsement of the Project Progress Reports; and following up any issues arising from management checks and audits.

3. Voluntary Organisations will process payment through the Director Programme Implementation within the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties, whilst Local Councils through the Ministry for Justice, Culture and Local Government.

4. The list of the Directors can be found on: https://www.gov.mt/en/Government/Government%20of%20Malta/Ministries%20and%20Entities/Pages/Ministries-and-Entities.aspx under the contact details of each respective Ministry

[^3]: Measures and Support Division within the Ministry for European Affairs and Implementation of the Electoral Manifesto
[^4]: Employment and Training Corporation (ETC)
[^5]: For further information on the Payment Process, refer to Chapter 5 of this MoP and to the Manual issued by Treasury.
2.6 Beneficiary

1. The Beneficiary is the organisation responsible for the implementation of the project. The Beneficiary has signed a grant agreement with the Managing Authority and the project must be implemented in line with this Agreement. The Beneficiary is responsible to implement the operation in line with the relevant terms and conditions of the Grant Agreement signed with the Managing Authority as well as this MoP. The Beneficiary shall always be guided by the principles of good governance and sound financial management.

2. The Grant Agreement signed between the Managing Authority and the Beneficiary gives the relevant detail on the objective, targets and financial allocation of the project. The Grant Agreement binds the Beneficiary to implement the project in accordance with terms and conditions of the said agreement and any requests for changes shall be notified to the desk officer within the MA (and or Intermediate Body in the case of aid schemes) within good time to allow for an assessment by the MA (or the IB as the case may be) of the request and its relevant approval (or rejection). Approvals are sent to the Beneficiary in writing and these are then generally followed up in an addendum. Although the MA shall approve all changes in writing, there is no need to sign an addendum each time there is a change. In the spirit of proportionality and also reduction of administrative burden, an addendum may incorporate several changes that have taken place over a span of time. No unilateral changes (from the Beneficiary) to the Grant Agreement shall be accepted by the MA.

3. In the case of Aid Schemes under Article 107 of the Treaty, the Beneficiary is the undertaking (enterprise) implementing a project awarded by the Intermediate Body. In this case, the Beneficiary has signed a Grant Agreement with the Intermediate Body and the Beneficiary shall ensure that the project is implemented in accordance with the terms of the said agreement and guidance issued by the IB. The Beneficiary shall always be guided by the principles of good governance and sound financial management.

4. The list of Beneficiaries can be obtained from the PPCD website https://eufunds.gov.mt/ or by sending an e-mail to info.ppcd@gov.mt.

2.7 Department of Contracts (DoC)

1. The Department of Contracts (DoC) within MF\IN is responsible for the administration of the procurement procedures as laid down in the Public Procurement Regulations 2010 (L.N.296 of 2010, repealing L.N177 of 2005 and corresponding amendments), which came into force on 1st June 2010. The DoC provides guidance and advice to Beneficiaries on all issues pertaining to public contracts. Within the legislation, the DoC is known as the Central Government Authority whereas the agency procuring the goods/services/works is known as the Contracting Authority.

2. The DoC ensures that the relevant tenders are launched and published in accordance with the above mentioned regulations and that contracts are awarded in conformity with the principles of non-discrimination, equality of treatment, transparency, mutual recognition, proportionality, open competition, financial management and good governance.

3. The main functions of the Department of Contracts are outlined in Article 6 of L.N.296/2010.

4. It is the responsibility of ALL Beneficiaries (even those not falling within the direct remit of the DoC such as voluntary organisations, local councils and other Schedule 3 of L.N. 296 of 2010 and any amendment entities) to seek the advice of the DoC on procurement issues.

Contact Details at DoC are:

Tel. no.: (+356) 2122 0212
Fax no.: (+356) 2124 7681
Website: www.contracts.gov.mt

Email: info.contracts@gov.mt

2.7.1 Departmental Adjudication Boards

1. Departmental Adjudication Boards are boards or committees appointed by contracting authorities with the purpose of evaluating departmental tenders received and for making recommendations thereon.

6. The Department of Contracts is involved in tenders where costs (excluding VAT) are above Euro 120,000
2. Taking into account the principle proportionality, it is recommended that Departmental Adjudication Boards use templates and procedures available on the DoC website (with applicable amendments that have to be undertaken by the relevant contracting authority) and consult the DoC where further information on the procedure is required. It is also highly recommended that the Boards refer to the Manual for Evaluation Committees, issued by the DoC and available at: https://secure2.gov.mt/EPROCUREMENT/templates under Manual for Evaluation Committees”.

2.7.2 Departmental Contracts Committee

For the purpose of EU funding implementation, this refers to the Committee set up in terms of Regulation 9(1)(b) of the Public Procurement Regulations with the purpose of making definite recommendations for the award of public contracts whose value is less than threshold established in the L.N.296 of 2010 and its subsequent amendments.

2.8 Accountant General (AG)/Treasury

1. The Accountant General (AG) is also referred to as the Director General (Treasury). The AG heads the Treasury Department within MFIN. Within the context of implementation of OP I & II, the Treasury is responsible for:
   i. Receiving requests for payment/reimbursements (from the Line Ministry) to contractors and Beneficiaries (as the case may be);
   ii. Carrying out relevant checks, particularly that the expenditure and supporting documentation are correct and in line with national Financial Regulations; and
   iii. Effecting payments/reimbursements to contractors and Beneficiaries in respect of expenditure incurred for approved projects.

Contact Details at Treasury are:

Tel. no.: (+356) 2596 7131/ 183
Fax no.: (+356) 2596 7208
Email: eufmu@gov.mt

2.9 Contractor

The contractor is the provider of works, supplies or services that has been awarded a contract following the launch and adjudication of a public tender and/or call for quotations. The Beneficiary is responsible for ensuring (through supervision and certification of works, services and/or supplies) that the contractor delivers the works/supplies/services in accordance with the terms and conditions stipulated in the contract and in accordance with Public Procurement Regulations.

2.10 Monitoring Committee

In terms of Articles 47 and 48 of Regulation (EU) N° 1303/2013, Monitoring Committees (MC) charged with overseeing respectively the implementation of the ERDF/CF and ESF Operational Programmes in Malta has been established. The MC has its own terms of reference (in line with Article 110 of the same Regulation) and is chaired by the Permanent Secretary (MEAIM) (or his / her representative).

Each Committee comprises Government representatives, social and economic partners, representatives of the civil society, the European Commission and the European Investment Bank. The Monitoring Committees for each OP are charged with overseeing the implementation of ERDF/CF and ESF Operational Programmes in Malta.
2.11 Ministerial Projects Steering Committee

1. In view of the fact that most operations are implemented by public sector bodies, a [Ministerial] Steering Committee is set up within each line Ministry with the task to monitor projects and steer implementation to ensure that targets—financial and physical—are reached.

2. The Steering Committee is part of the overall monitoring system. The Committee is chaired by the Permanent Secretary of each Ministry (or his/her representative) and provides a more focused mechanism to track projects’ progress and facilitate programme implementation.

3. Information on the Steering Committee can be obtained from the Director Programme Implementation of each Ministry.

2.12 National Audit Office (NAO)

1. The National Audit Office is the external auditor of the Government of Malta and is completely independent of the executive arm of the Government.

2. Since projects co-financed through Cohesion Policy are considered to be public funds, the NAO may carry out audits on the projects (both on public entities and agencies as well as private or projects implemented by voluntary organisations) as the external auditor of Government.

Contact Details at NAO are:
Tel. no.: (+356) 2205 5555
Fax no.: (+356) 2123 8918
Email: nao.malta@gov.mt

2.13 Channels of Communication

The following lines of communication shall be adhered to:

1. Only the MA, the CA and the AA (in their respective roles, through the official channels) shall directly communicate with the European Commission on issues pertaining to Cohesion Policy 2014-2020.

2. As secretariat to the MC, it is only the MA that will communicate with the MC on issues pertaining to Cohesion Policy 2014-2020. Members should send their comments to the MA for distribution.

3. In terms of project implementation, the MA will communicate with the Beneficiary and (in the case of public sector projects) the Line Ministry (Director Programme Implementation) on issues pertaining to the project. In the case of public sector projects, communication between the Beneficiary and the MA shall be copied to the Line Ministry.

4. It is the responsibility of the Beneficiary to consult the relevant national authorities on issues pertaining to the project being implemented by that Beneficiary (e.g. DoC on procurement; Treasury on payments; MEPA on planning and environmental permits; SAMB on state aid; NCPD and NCPE on equal opportunities; the VAT department on issues related to VAT).

5. The Beneficiary and the Line Ministry shall ensure continuous communication with the relevant stakeholders to guarantee that the payment process is moving ahead accordingly and within acceptable timeframes.

6. Any changes to the implementation (including changes in Project Leader and/or contact persons) shall be communicated immediately to the desk officers and Head of Programme within the MA. The relevant template in Chapter 11 is to be filled in. The MA shall also inform Beneficiaries/IBs of changes in desk officers assigned to the project.

7. Any other queries pertaining to implementation in general can be addressed to the MA.

8. Beneficiaries, Line Ministries and Heads of Organisations should note in particular that they should inform the MA immediately in the case of SFD 14-20 users who are transferred to another organisation or have been

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7 This is referred to in the Operational Programme as Project Steering Committee
left the project. This information should be sent to the SFD Unit, the OP Unit, the respective Information Management Unit and the Line Ministry (where applicable). It is the responsibility of the Beneficiary to inform the stakeholders accordingly. An electronic Request for Service (ERFS) must be raised by the user’s entity through the respective Information Management Unit (or equivalent) in order to deactivate the account, before the account is closed.

9. SFD14-20 users should note that trainers on the system have been appointed within their organisation or the Ministry. Those users requiring assistance in using the database management system, including payment processing, should consult the tutorials uploaded on PPCD website and contact the respective SFD Trainers within the organisation or the Ministry. Where users do not know who the respective trainer(s) is/are, they should contact the Head of the organisation or the OP Unit. Any SFD 14-20 queries should be channelled through the respective trainer(s) in line with MA Circular 05/2010.

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These will be uploaded on the MA website
3. **Compliance with Community Policies: Public Procurement, State Aid, Equal Opportunities and Sustainable Development**

3.1 **Introduction**

The Beneficiary shall ensure coherence with Community Policies, in particular (although not exclusively) public procurement, state aid, environment, equal opportunities, and sustainable development. The latter two are identified as horizontal themes under Article 96 of the Common Provisions Regulation (EU) N. 1303/2013 and shall be incorporated into ERDF/CF and ESF projects.

3.2 **Public Procurement**

1. All Beneficiaries should ensure that any procurement for projects co-funded by the Structural Funds and Cohesion Fund is carried out in line with the principles of non-discrimination, equality of treatment, transparency, mutual recognition, proportionality and good governance. Public entities are to ensure that procurement is carried out in line with the Public Procurement Regulations applicable at the time of implementation. In this regard, it is highly recommended that Beneficiaries ensure compliance with requirements imposed by DoC through the relevant Circulars which are regularly published on [https://secure2.gov.mt/eprocurement/resources?l=1](https://secure2.gov.mt/eprocurement/resources?l=1).

2. Other agencies not governed by the said Public Procurement Regulations are to ensure that they follow the spirit of the Regulations and respect the thresholds therein, particularly with regard to publication of the tender dossier.

3. The Head of the Beneficiary organization (or its legal representative) is responsible to ensure that all contracting procedures are carried out in a spirit of good governance, fairness, transparency and non-discrimination between economic operators and in line with the Public Procurement Regulations.

4. Tender documents should be drafted in a manner that clearly sets the specifications / terms of reference of the contract and also the way that bids are to be adjudicated. Tender Evaluation Committees are to ensure that bids are administratively, technically and financially compliant with the tender conditions.

5. Private Beneficiaries are to follow any guidance on procurement as recommended by the MA and/or IB.

6. Failure to comply with the Public Procurement Regulations could lead to the recovery of funds. The European Commission has issued a set of guidelines for the financial corrections to be applied for irregularities in the application of the Community regulations on public procurement in the case of contracts that are co-financed through Cohesion Policy Funds. Should such irregularities be detected by the Commission services and/or by the control authorities established at a national level, a financial correction (which could reach 100% of the tender value) may be applied.

3.3 **State Aid Requirements**

3.3.1 **General Notes for Project Proponents**

1. EU State Aid rules apply to projects which involve any direct (or indirect) financial support from the public sector to commercial enterprises or organizations carrying out an economic activity or if in some way the assistance involved distorts trade or threatens to distort competition within the Community.

2. Project applicants have a duty to ensure compliance with State Aid rules and applicants are encouraged to hold discussions with the State Aid Monitoring Board (SAMB) prior to submission of a project application proposal.

3. Should the nature of the project change during its life-time and/or after completion, thereby introducing the possibility of State Aid, the Beneficiary shall report this change to the Managing Authority without delay. Failure to report such change may result in loss of funds to the Beneficiary.

4. Beneficiaries should note that other changes involving State Aid implications could also result in recoveries being imposed on the project.

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9. Commission Decision of 19.12.2013 on the setting out and approval of the guidelines for determining financial corrections to be made by the Commission to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement.
3.3.2 **State Aid Schemes (under Article 107 of the Treaty)**

1. Under both Operational Programme I and Operational Programme II, State Aid can be granted under a scheme designed and implemented by one of the Intermediate Bodies. In this regard it is the responsibility of the Intermediate Body to notify the State Aid to the SAMB and ensure that there is approval for the State Aid to be granted.

2. The Intermediate Body has the responsibility to monitor aid based on the information supplied by the Beneficiary and report on the aid in line with the covenant established between the Intermediate Body and the Managing Authority. Beneficiaries of Aid Schemes may refer to the relevant Intermediate Body or to the State Aid Monitoring Board for further information.

**Contact Details at State Aid Monitoring Board (SAMB)**

Executive Secretary - State Aid Monitoring Board

Tel. no.: (+356) 2125 2757
Email: yana.haber@gov.mt

3.4 **Equal Opportunities**

1. Equal Opportunities is a cross-cutting theme and all efforts should be made by the Beneficiary to include this element within the project and the effort undertaken needs to go beyond legislation obligations. Beneficiaries must take into consideration Equal Opportunities at all stages of the project and necessary steps should be taken to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. In particular, accessibility for disabled people to projects co-financed through Cohesion Policy should be ensured.

2. Beneficiaries are encouraged to identify possible specific initiatives that promote equal opportunities. In this regard, advice from the National Commission for Persons with Disability (NCPD) and the National Commission for the Promotion of Equality (NCPE) for advice on Equal Opportunities legislation is recommended in order to determine how to integrate Equal Opportunities in a project co-financed through Cohesion Policy. Beneficiaries should ensure that any advertising and/or marketing activities undertaken within the project are free from stereotyping or any form of discrimination.

**Contact Details at NCPE:**

Tel. no.: (+356) 2590 3850
Email: equality@gov.mt

**Contact Details at NCPD:**

Tel. no.: (+356) 22788555
Email: helpdesk@knpd.org

3.5 **Sustainable Development**

3.5.1 **General Sustainable Development**

1. Objectives of the Funds shall be pursued in the framework of sustainable development. Sustainable development is a cross-cutting theme which covers economic growth, social cohesion and the protection of the environment. All efforts should be made by Beneficiaries to include sustainable development issues at all stages of the project.

2. Beneficiaries must ensure that the project is structured in such a manner that sustainable development issues are mainstreamed throughout the project’s aims and operations.

3. Beneficiaries should refer to the National Sustainable Development Strategy which can be downloaded from [http://www.um.edu.mt/islands/sustainable_development_strategy_for_malta](http://www.um.edu.mt/islands/sustainable_development_strategy_for_malta).
3.5.2 Environmental Sustainability

1. Beneficiaries should ensure that a project is structured in such a way so as to ensure that environmental sustainability is mainstreamed in the project’s aims and throughout its life-time.

2. Climate change mitigation and adaptation is an important element for projects co-financed under Operational Programme I. In this regard, Beneficiaries should strive to take into consideration the total climate-damaging carbon emissions generated, reduce them, where possible, and then balance the remaining emissions through energy efficient/renewable energy sources measures within the project.

3.6 Environment and Planning

As explained above, Project Leaders must ensure that Planning Regulations and obligations are followed and that environmental issues are taken into consideration throughout the project life cycle. Projects should be structured to ensure minimum environmental damage and maximum benefits. Project Leaders should also factor in timeframes stipulated by national law and procedures needed to obtain planning permits in order to ensure an adequate project implementation timeframe. Officials within the Malta Environment and Planning Authority may provide advice on the environmental and planning permits.

Ministry for Sustainable Development, the Environment and Climate Change
MSDEC Offices, 6,
Triq Hal Qormi,
Santa Venera

3.7 Social Innovation, Trans-national & Interregional Co-operation

1. In addition to the above mentioned horizontal priorities, projects co-financed by ESF under Operational Programme II shall make an effort to take into consideration the horizontal principles of innovation & trans-nationality.

2. Article 9 (1) of the Regulation (EU) 1304/2013 establishes that ESF shall promote social innovation within all areas falling under its scope, in particular with the aim of testing, evaluating and scaling up innovative solutions, including at the local or regional level, in order to address social needs in partnership with the relevant partners and, in particular, social partners. Malta has opted to include social innovation as a cross-cutting theme across Priority Axes within OP II and it is also part of the selection criterion for projects that are funded under OP II. Any projects that meet the principle of social innovation and fit within the defined social innovative actions under the respective Priority Axis, will gain additional marks during the project selection process.

3. To complement the principle of social innovation, Article 10 (1) of the Regulation (EU) 1304/2013 establishes that through ESF Member States shall support transnational cooperation with the aim of promoting mutual learning, thereby increasing the effectiveness of policies supported by the ESF. Transnational cooperation shall involve partners from at least two Member States. Malta believes that there is a lot to gain from the experience of other regions and has decided to allocate specific marks in the selection process for transnational and interregional co-operation which is implemented as a supporting action to projects which are innovative in nature.

4. Beneficiaries implementing trans-national and interregional co-operation projects need to demonstrate that their project will explore the application of solutions being utilised in other Member States in relevant policy areas, to the local scenario. In this regard Beneficiaries shall seek to ensure that partners do have the necessary expertise in the area of co-operation and, when claiming funds from the project, the capacity to adhere to the national eligibility rules.

5. Beneficiaries of Trans-national and interregional co-operation can implement their project/s through sharing of information, experiences, results, good practices and through the development of complementary approaches and co-ordinated or joint actions.

As defined in Article 3 of ESF Regulation (EU) 1304/2013
4. Contracting

4.1 Introduction

1. Beneficiaries should note that EU Funds are public funds and EU Funded projects are subject to audits by various National and EU auditing bodies. Funds must be contracted in a transparent and competitive manner. In this regard Beneficiaries must be guided by the principles of non-discrimination, equality of treatment, transparency, mutual recognition, proportionality, open competition, sound financial management and good governance.

2. It is important to note that the following points are only guidelines which are not intended to substitute in any way the relevant regulations or guidance issued by the Department of Contracts (DoC). The MA insists that advice should be sought from the DoC on ALL ISSUES pertaining to contracting.

3. When preparing the tender dossier, the Beneficiary must refer to the Public Procurement Regulations 2010 (L.N.296 of 2010) and any subsequent amendments. Beneficiaries not bound by the Public Procurement Regulations. Voluntary organisations and non-public organisations are encouraged to follow the spirit of the Regulations. In any case the principles of transparency, fair competition and good governance should always apply.

4. The relevant tendering templates are available from the Department of Contracts and beneficiaries should consult the Department of contract for such template. All Beneficiaries are encouraged to use the procurement templates issued by the DoC when carrying out procurement in relation to EU funded projects and to consult the DoC on any procurement issue. Given that tender drafting is a very complex, time consuming and expensive process, it is highly recommended that Beneficiaries check with the DoC whether there are any changes (administrative or legal) planned in the near future PRIOR to the commencement of the drafting of the tender so that there is no unnecessary waste of resources and time.

5. Local Councils and other Schedule 3 entities (refer to L.N. 296 of 2010 or subsequent amendments/regulation), shall ensure that tenders issued for Cohesion Policy projects follow the principles as outlined within such regulation. With regard to documentation checklist (i.e. which documents will be required for the purpose of controls), Local Councils should refer to the MA’s Administrative verifications template for Local Council, under section 6.2.2

6. Voluntary organisations and non-public organisations that are not bound by the public procurement regulations, shall ensure that when implementing Cohesion Policy projects, they are guided by the spirit of the same regulations and the principles of non-discrimination, equality of treatment, transparency, mutual recognition, proportionality, open competition, sound financial management and good governance. With regard to a documentation checklist (i.e. which documents will be required for the purpose of controls), these organisations should refer to the MA’s administrative verifications template for VOs, under section 6.2.2.

4.2 General principles

Beneficiaries should note that irregularities in the contracting process may render the project (or parts thereof) ineligible for funding.

The following principles must be observed for all contracts.

General Issues:

1. Beneficiaries are to ensure that contracting is in line with the approved project proposal and reflected in the Grant Agreement.

2. Tenders are initiated by the Beneficiary organisation as the Contracting Authority. The Beneficiary organisation is also responsible for the management of the contract.

3. Beneficiaries are to ensure consistency and compliance with Cohesion Policy publicity requirements when drafting or using tender and contract templates (issued by the Department of Contracts or your Department/Ministry as Departmental Calls for Tenders), and when issuing adverts relating to Structural and Cohesion Funds published on Government Gazette and on any other publications.

4. Tenders must be evaluated by an evaluation committee. It is highly recommended that the Boards

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refer to the Manual for Evaluation Committees, issued by the DoC.

5. Selection and Award criteria must be stipulated in advance and tenders are to be evaluated only on those pre-established criteria. No other criteria can be used for the evaluation of the tender. Experience cannot be used as an award criteria.

6. The tender dossier must stipulate all items in sufficient detail in order to determine eligibility of costs under Cohesion Policy.

7. Items which are not included in the approved project proposal and Grant Agreement should either not be included in the same tender / lot of the eligible items or be clearly identifiable (also in terms of costs), ideally by having a separate lot within the same tender for the ineligible items. This is particularly important for Beneficiaries issuing works tenders. In addition, extra works which are not paid out of the EU funds, should be settled in a separate contractual arrangement.

8. When preparing the tender dossier, the Beneficiary must observe the EU requirements in particular equal opportunities and sustainable development. In executing the contract, the Beneficiary must ensure that the contractor observes EU & national legislation in relation to environment and equal opportunities and may recommend ways in which these requirements are met.

9. It is important to ensure transparency and fair competition e.g. request for quotes from different bidders and comparable quotations to choose the best option.

10. The Beneficiary should seek to consolidate the number of tenders. In the first instance, this reduces administrative burden. Moreover, unjustifiable splitting of tenders is not in line with Public Procurement Regulations and the EU Directives on Public Procurement.

11. EU Official Journal publication is compulsory for tenders exceeding certain thresholds and depending on the classification of the beneficiary as a Contracting Authority as defined in LN 296 of 2010 or subsequent amendment/regulation. These thresholds may change from time to time. It is advisable that the Beneficiary regularly consults the EU Directives on public procurement, and contacts the DoC for possible revisions to the thresholds.

Contract requirements:

1. The contract should comply with the publicity requirements as set out in the Visual Identity Guidelines issued by the MA.

2. Beneficiaries should insert the contract details, including the financial component in the SFD 14-20 as soon as the contract is awarded, to ensure data accuracy in the system.

Currency and payment schedule:

1. All tenders must be issued in Euro and all contracts must be signed in Euro.

2. Payments will be in Euro. In case of payment not in Euro, their Euro equivalent will generally be calculated on the basis of the exchange rate of the actual payment.

3. The Beneficiary is advised to prepare a payment schedule which must be included in the special conditions of the tender dossier and which should generally be consistent with what has been agreed in the Grant Agreement.

4. The Contractor shall issue the invoice according to the stipulated conditions in the contract and deliver the invoice to the Beneficiary implementing the project.

I. Financial Identification Form (TRS 9) - Whenever the Beneficiary receives an invoice for the first time from a Contractor, the Treasury asks the Beneficiary to provide a Financial Identification Form

5. Financial Identification Form (TRS 9) filled in by the Contractor. In this form, the Treasury will have the necessary information on the Contractor for the proper execution of the bank credit transfer. This form


13 When deciding on the payment schedule, Beneficiaries should be guided (where possible) by the disbursement schedule in the Grant Agreement signed with the MA.

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needs to be sent to Treasury prior to insertion of invoice in the SFD 14-20.

6. It is important for Beneficiaries to note that should the Contractors’ financial details change throughout the execution of a contract, the Beneficiary is to inform the Treasury to:
   ✓ ensure Contractor fills in a new Financial Identification Form (TRS 9) and submits the new TRS 9 for the Treasury to insert the Contractor’s new details.

7. The Treasury Department will issue payment against the details of the latest TRS 9 Form.

8. The invoice should be addressed to the Beneficiary and/or Project Leader. Contractors are to note that invoices must be issued by the company that was awarded the contract. Payments are made via a bank credit transfer only.

9. Contractors and Beneficiaries are advised to consult the Guidelines for Issuing Valid Invoices and Receipt in particularly article 3 – Requirements and contents of an invoice.

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**Bank Guarantees and Retention Money:**
- Where applicable, safeguards such as bank guarantees should be inserted in the tender dossier to recover funds in the case of advance payments and/or termination of contract.
- It is important to note that Beneficiaries ARE NOT TO RETAIN MONEY AT THE END OF A CONTRACT. Retention money throughout the implementation of a contract is allowed, however, all money should be released upon completion of the contract. In this regard if Beneficiaries feel the need to have some money retained for specific safeguards, they are to insert a clause in the tender dossier whereby the Contractor will be paid all funds due upon completion of the contract (i.e. at provisional acceptance stage) but against a bank guarantee (to be renewed until final acceptance stage) of an amount equivalent to the value of the retention money. Further advice should be sought from the DoC.

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**4.3 Contracting Procedure**

**4.3.1 Procurement procedures for Public Contracts not exceeding the threshold**

1. When the estimated value of the procurement does not exceed the threshold Beneficiaries should refer to Part II of L.N. 296 of 2010 with specific reference to Regulation 20.

2. In the case of beneficiary choosing to ‘obtain’ quotations from the open market (refer to Regulation 20 [1] [a] [b]), for the purpose of good governance, three quotations should be obtained and the cheapest of three comparable quotations is to be selected. Other procedures may also be applicable as approved by the competent authorities.

**4.3.2 Procurement procedures for Public Contracts exceeding the threshold**

1. In the case of public contracts with an estimated value exceeding the threshold, the administration of the contract depends on whether the Beneficiary is listed under Schedule 2 or 3 of the Public Procurement Regulations. Contracts are administered through the DoC if the Beneficiary is listed under Schedule 2 of the Public Procurement Regulations. If the Beneficiary is a contracting authority listed under Schedule 3, then the Beneficiary will issue, administer and determine the public contract/s in accordance with the provisions of the Public Procurement Regulations L.N.296/2010 or any subsequent amendments/regulation. In the case of a Beneficiary falling under Schedule 3, the same procedures apply but the process is administered by the Beneficiary organisation itself rather than the DoC.

2. The Beneficiary needs to submit the Commitment Form to DoC before launching tenders with an estimated value exceeding threshold. Depending on the source of funding, the Beneficiary should compile the ERDF Commitment Form or the CF Commitment Form or the ESF Commitment Form.

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14 Prepared by the EU Certifying Authority, May 2009.

15 Beneficiaries should consult the latest version on the website as there could be changes to the schedules from time to time. The Beneficiary is to use the one applicable at the time of launching the tender.
It is important to note that the Commitment Form must be submitted immediately as the tender cannot be launched if the Commitment Form is not submitted to DoC. The Beneficiary submits the original Commitment Form to the DoC, retains a copy for itself, and submits a copy to the MA, a copy to the Assistant Director (Capital Expenditure) MFIN and a copy to the Accounting Office and Director Programme Implementation of the respective Line Ministry. This procedure is not applicable to voluntary organisations and Beneficiaries falling under Schedule 3 of the Public Procurement Regulations.

3. The DoC vets the dossier and advises the Beneficiary on any amendments, if necessary. The Beneficiary will incorporate these amendments and re-submit the tender to DoC for further vetting as early as possible.

4. Once the tender vetting is completed and approval on the final text is granted, the DoC will take the necessary steps to forward the publication forms to the Official Journal (where applicable) and also to publish the tender on the Government Gazette. Any Beneficiaries wishing to give further publicity to tenders on other media should allow for publication by the DoC prior to publishing such adverts.

5. The Beneficiary is responsible for following up matters with the DoC at any step of the contracting procedure, including evaluation of tenders; adjudication and publication of results; contracting; approval for additional costs; addenda to contracts; non compliance by Contractors with Contractual Obligations; Release of Financial Guarantees; etc.

4.4 Procurement of Equipment through Cohesion Policy Funds

1. **Documentation:** When purchasing fixed assets through Cohesion Policy funds, it is important that the item is used for the specific reasons for which it was bought and in accordance with the conditions in the Grant Agreement. All documentation in relation to purchase and use of fixed assets (including guarantees), has to be filed in the project file. The Project Leader should ensure that all relevant documents are handed over by the supplier and filed for ease of reference, in line with the principle of sound financial management.

2. **Inventory:** It is obligatory to keep an inventory of the fixed assets and its location in file. The Beneficiary is required to fill in an Inventory of the fixed assets list (please refer to the annexes provided) of all assets and where possible, the following details should be included:

   - Contract No
   - Name of supplier,
   - Serial / ID No – Where the serial numbers are not visible, a unique inventory number should be given,
     - Purchase/installation date,
     - Total cost or value,
     - Location of asset,
     - Asset description,
     - Quantities,
   - Whether a guarantee has been applied or not.

The Beneficiary should also list any equipment that has undergone any changes since it was procured.

The Inventory List / Fixed Asset Register of each project should be frequently updated to include the relevant details of the purchased assets. The list shall be signed and certified correct by the Project Leader and a copy of the List must be sent to both the Line Ministry and the Managing Authority. In the case of Government departments, the inventory list must be endorsed by the Director Corporate Services of the Ministry concerned, whilst in the case of Authorities, Commissions, Agencies and other bodies within the public sector the Beneficiary’s Financial Section/Unit should endorse the document. When Beneficiary is a Local Council or a VO the inventory list should be signed by the executive secretary or the treasurer respectively.

In the case of public entities and voluntary organisations compiling their own accounts, the equipment must also be accounted for according to established accounting standards. In the case of Beneficiaries which are either Government Departments or Ministries, the Inventory List / Fixed Asset Register should be in compliance with MF Circular No. 14/99 (or any subsequent amendments) which refers to the Revised Inventory Control Regulations.

3. The Beneficiary must keep in mind that:

   - When fixed assets are purchased through Cohesion Policy funds, it is imperative that they are kept in good working order throughout and after the project life (in line with durability clause in the Grant Agreement (Article 71 of Regulation (EU) No 1303/2013).
The Beneficiary is to ensure that the asset comes with the appropriate warranties.

If any fault results in the asset, all documentation in relation to the repair must be kept and when the asset needs to be replaced, it is important that all documentation is kept on file.

If the asset is replaced, both the old and new serial numbers must be retained. In the case of replacing assets which were purchased with funds allocated through an aid scheme, the Beneficiary must inform the IB responsible for the aid scheme.

If asset is faulty and/or damaged and is replaced by the supplier/Beneficiary – whether under guarantee or not, the replacement must carry out the same function and be of the same or higher specifications as the asset being replaced.

If asset is moved, such shifts need to be reflected in the Inventory.

The Beneficiary shall ensure that the relevant publicity appears on the equipment purchased as well as on the relevant documentation (proportionately should apply in the case of infrastructural project whereby the whole building or area is co-funded).

4.5 Employment Contracts

1. Services may either be procured through a service tender (procured in accordance with the foregoing sections of this Chapter) or through an employment contract. It is highly advisable that, prior to publication, the Beneficiary consults the Department of Contracts (in the case of public departments, entities or local councils) and the Department of Industrial and Employment Relations (all types of beneficiaries, including public, private and voluntary organisations) to identify which procedure to apply when considering the Beneficiary’s particular requirements. The option of a contract for service (employment) as opposed to a contract of service (outsourcing) may have to be applied depending, amongst others, on the nature of the service required, level of autonomy allowed, the duration and frequency of delivery, and time (office hours or not) and location of delivery requested.

2. For employment contracts, beneficiaries should follow its official channel of recruitment as long as the procedure applied follows good governance, transparent and in line with national legislation.

3. Full-time or part-time employment, with tasks solely related to the project: If a Beneficiary employs a person on an employment contract to work solely on a project funded through the Cohesion Policy, the Beneficiary shall ensure that the person being engaged works solely on the project and does not undertake any unrelated work within the Beneficiary organisation. The time spent on the project should also be well documented and regular task based reports should be provided.

4. Full-time or part-time trainers/employees: Where an individual is employed on the funded-project but also undertakes other unrelated tasks within the organisation (as part of his/her job description), the Beneficiary shall be entitled to claim only that part of the salary related to tasks carried out on the project. Before claiming staff costs, the Beneficiary should ensure that these costs are in line with the eligibility rules. To calculate the hours to be claimed, the MA has developed staff costs calculators, based on the formula and on different pay periods (e.g. monthly, four-weekly). These are available on demand from the Financial Control Unit within the MA. The Beneficiary should ensure that this template is properly filled in and submitted when claiming these costs. The eligibility of staff costs shall be determined in the Grant Agreement. For staff costs related to transnational partners, the Beneficiary should refer to the eligibility rules of the relevant OP. The number of hours claimed shall be supported by timesheets fully endorsed by the project leader. The timesheets need to show time in and out (not just record of the total hours worked) and a concise description of tasks carried out. In this regard the Project Leader should ensure that he/she is able to produce regular task-based reports on any person employed under the project.

5. If a Beneficiary employs a person through an employment contract, a clause should be inserted in the contract that the employment of this person is only for a specified period (in line with the completion of the project). The Beneficiary should always seek advice from the relevant department/entity responsible of employment procedures. The Beneficiary should always ensure compliance with national legislation and be guided by the relevant internal procedures. The Managing Authority and the European Commission are not responsible for any employment related disputes that may arise during and after project implementation.

6. Terms and conditions of an employment contract should strictly conform to those issued in the respective Call for Applications. Beneficiaries should also consult the relevant Eligibility Rules before drafting the call and/or the contract.

7. The Beneficiary shall retain the necessary documentation recording the employment procedure and employment contract (including the call, selection criteria, reports of the selection board, evidence of

16 Refer to the Visual Identity Guidelines and/or consult the responsible officer within the Managing Authority in case of difficulties/particular cases.
publication of results, time sheets, progress / performance reports and lesson/course plans [in case of trainers] are retained in file. Further detail on document retention is available in Chapter 12.
5. Financial Management and Payments

5.1 Eligibility of Costs
A set of eligibility rules is available on the MA’s website. In the case of Aid Schemes, information on the eligible costs of aid schemes is available from the respective incentive guidelines issued by the Intermediate Body (grantor of aid) and ad hoc guidance issued by the IB.

5.2 Co-financing
The financing of all projects benefiting from Cohesion Policy Funds have an element of national co-financing. The eligible cost and the co-financing arrangements (Community, national public and own resources) are outlined in the Grant Agreement.

5.3 Government Pre-financing Set-up
1. Distinct procedures for the mobilisation and circulation of funding have been set up to facilitate project implementation and ensure the transparency of financial flows. The financial flows vary according to specific categories of Beneficiaries.

2. Public Sector Beneficiary: In the case of projects being implemented by a public sector Beneficiary, the Maltese Government’s annual financial estimates provide for the pre-financing of the Community share of the forecasted annual eligible expenditure of the projects. The financial estimates also provide for the Maltese co-financing share of the forecast annual eligible expenditure, as well as, an allocation for other expenditure not eligible for Community co-financing (e.g. non-eligible VAT). The Treasury pays the relevant service/supplier/works provider from the pre-financing arrangement (the annual estimates are allocated in the Government’s Departmental Accounting System) following a Request for payment raised by the Beneficiary (please refer to the ad hoc Reimbursement Request Form to be submitted that can be found under section 5.6/2).

3. Public/Public Equivalent Beneficiary: In the case of projects being implemented by other Public/Public Equivalent Beneficiary, the Maltese Government’s annual financial estimates provide for the pre-financing of the EU co-financing share (80% of public eligible cost) of the forecasted annual eligible expenditure of the projects. Unless otherwise indicated, the national public co-financing share of the projects is provided for from the funds of the Beneficiary (e.g. Local Council). On receipt of invoice/s, the Beneficiary’s share (together with any ineligible expenditure related to the invoice), is extracted from the respective organisation’s allocation. Treasury then pays the full amount of the invoice to the service/supplier/works provider on behalf of the Beneficiary, through a Request for payment raised by the Beneficiary signed (please refer to the ad hoc Reimbursement Request Form to be submitted that can be found under section 5.6/2).

4. Voluntary organisations: In the case of voluntary organisations, the (EU and national) public share (80% of public eligible cost in most instances) for the respective accounting year is allocated in the Structural Funds Item in the DAS by Government as pre-financing. Voluntary organisations shall provide for the co-financing (20% of public eligible cost, unless otherwise stipulated in the Grant Agreement, as well as any other ineligible costs). When submitting invoices to the Line Ministry, voluntary organisations attach a cheque for the amount equivalent to the voluntary organisation share of the invoice, so that Treasury then pays the full

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17 Beneficiaries should ensure that they have the latest version as the list is reviewed from time to time. Information can be obtained from the MA website https://eufunds.gov.mt/en/Operational%20Programmes/Useful%20Links%20and%20Downloads/Pages/Useful-Links-and-Downloads.aspx

18 Where applicable.

19 The eligible cost can vary and can also change throughout the project’s lifetime (e.g. due to changes in the funding gap arising from the monitoring exercise).

20 Public Sector Beneficiaries consist of Line Ministries, Government departments, public authorities, public corporations, public agencies, public commissions, and public foundations amongst others.

21 In the case of some public entities/corporations the national co-financing and ineligible costs may be sourced from the entity’s own resources.

22 Other Public or Public Equivalent Beneficiaries include Local Councils, socio-economic partners and constituted bodies.
5.4 Reimbursement of Staff Costs

Staff costs charged to the project shall be calculated in proportion to the time spent on the project in the relevant period, sufficiently substantiated by timesheets signed by the employee and endorsed by the Project Leader. The staff costs calculator may differ from one entity to another, depending mostly on the frequency of salary payments. Beneficiaries are recommended to contact the MA in order to determine which calculator to use.

For eligibility purpose, the Beneficiary shall ensure compliance with the eligibility rules of the relevant OP. To claim the reimbursement of costs related to staff costs, beneficiaries are requested to use the ad hoc form provided by the MA (please refer to the ad hoc Reimbursement Request Form to be submitted that can be found under section 5.6/2).

5.5 Treatment of VAT

Beneficiaries should consult with the VAT Department for all issues pertaining to VAT.

5.6 Invoices and Confirmation (Proofs) of Payment

This section includes considerations on invoices, receipts and any other proofs of payment. It should also be read in conjunction with section 12.3 (Uploading of documents in SFD).

In accordance with Article 65(2) of Regulation (EU) No 1303/2013 expenditure claimed for reimbursement from the Funds (i.e. in the drawdown requests from the EC) must be real.

An invoice is a request for payment while a receipt (or equivalent) is a confirmation of payment.

5.6.1 Payment through the normal procedure (by Treasury direct to contractors)

Where the invoice is a Tax invoice, its corresponding proof of payment (not a fiscal receipt) should be filed, but NOT uploaded in the SFD. Examples of such proofs are given in Table 1 below.

Invoices which are not Tax invoices should be followed by a fiscal receipt (also not uploaded on SFD) within reasonable time of payment, unless the invoice quotes the EXO (exemption) number of the supplier. In order to ensure both objectives of fiscal validity and payment confirmation (as per Structural Funds regulations), a fiscal receipt must:

- Contain reference to the invoice in question (invoice number). Payments on account without the relevant invoice number are not acceptable;
- Be dated after the payment date; and
- Including the name of the Beneficiary as recipient of receipt.

It is the responsibility of Beneficiaries to ensure that fiscal receipts (where applicable) are received in good time and filed in the payments section of the file.

5.6.2 Reimbursement Requests

In the case of reimbursement requests, the invoice and corresponding proof of payment should be filed and uploaded on SFD.

The reimbursement request form varies depending on the status of the Beneficiary and on the type of costs claimed. The Beneficiary should ensure that the correct form is being used as provided below:

- Reimbursement Request Gov. Organisation (Not Salaries) (please refer to the annexes provided)
- Reimbursement Request Gov. Departments (Not Salaries) (please refer to the annexes provided)
- Reimbursement Request Local Councils (Not Salaries) (please refer to the annexes provided)
- Reimbursement Request Voluntary Organisations (Not Salaries) (please refer to the annexes provided)
- Reimbursement Request All Beneficiaries (Indirect Costs) (please refer to the annexes provided)
- Reimbursement Request All Beneficiaries (Salaries)
If the invoice presented is not a tax invoice (and does not contain an EXO number), a fiscal receipt should be presented as proof, containing:

I. Reference to the invoice/s in question (invoice number/s). Payments on account without the relevant invoice number/s are not acceptable;

II. A date occurring after the payment date; and

III. Name of the Beneficiary as recipient of receipt.

**Note on fiscal receipts:** For the definition of a fiscal receipt and cases of exemption from obligation to issue a fiscal receipt, Beneficiaries should refer to the 'Value Added Tax Act'.
<table>
<thead>
<tr>
<th>Payment Procedure</th>
<th>Condition</th>
<th>Invoice Type</th>
<th>Proof of Payment Required</th>
<th>Uploading in SFD14-20</th>
<th>Filing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct payment (Condition 1)</td>
<td>Tax invoice issued by a person registered under Art 10 – for supplies other than exempt without credit supplies – to a person registered under Art 10 or Art 11 of the VAT Act who identifies himself with a VAT number on invoice.</td>
<td>Tax invoice</td>
<td>Any document proving payment (dated after payment date on the SFD14-20) (e.g. Central Bank debit advice, acknowledgement of receipt from supplier, etc)</td>
<td>Tax invoice only</td>
<td>Tax invoice and proof of payment</td>
</tr>
<tr>
<td>Direct payment (Condition 2)</td>
<td>Invoice issued by a person registered under Art 10 – for supplies other than exempt without credit supplies – to a non-registered person</td>
<td>Not a tax invoice + no EXO number</td>
<td>Fiscal Receipt dated after the actual payment date on the SFD14-20. OR Fiscal Receipt dated before the actual payment date on the SFD AND further proof of payment (e.g. Central Bank debit advice, acknowledgement of receipt from supplier, etc)</td>
<td>Invoice only</td>
<td>Invoice and fiscal receipt (and any further proof where applicable)</td>
</tr>
<tr>
<td>Direct payment (Condition 3)</td>
<td>Invoice issued by a person registered under Art 10 – for supplies other than exempt without credit supplies – to a non-registered person</td>
<td>Not a tax invoice + with EXO number</td>
<td>Any document proving payment (dated after payment date on the SFD) (e.g. Central Bank debit advice, acknowledgement of receipt from supplier, etc)</td>
<td>Invoice only</td>
<td>Invoice and proof of payment</td>
</tr>
<tr>
<td>Reimbursement request (Condition 1)</td>
<td>Tax invoice issued by a person registered under Art 10 – for supplies other than exempt without credit supplies – to a person registered under Art 10 or Art 11 of the VAT Act who identifies himself with a VAT number on invoice</td>
<td>Tax invoice</td>
<td>Any document proving payment (dated after payment date on the SFD 14-20)</td>
<td>Reimbursement request, tax invoice, proof of payment</td>
<td>Reimbursement request, tax invoice, proof of payment</td>
</tr>
</tbody>
</table>

If dated prior to the payment date, the fiscal receipt cannot be considered as sufficient proof and further proof is required. However, the same receipt remains fiscally valid, as per Thirteenth Schedule, point 2.
<table>
<thead>
<tr>
<th>Reimbursement request</th>
<th>Invoice (not a tax invoice) issued by a person registered under Art 10 – for supplies other than exempt without credit supplies – to a person registered under Art 10 or Art 11 of the VAT Act whether he identifies himself or not with a VAT number on invoice</th>
<th>Fiscal Receipt dated after the actual payment date on the SFD. <strong>OR</strong> Fiscal Receipt dated before the actual payment date on the SFD AND further proof of payment (e.g. official cheque image from bank, bank transfer advice slip, bank statement, acknowledgement of receipt from supplier, etc)</th>
<th>Reimbursement request, invoice, fiscal receipt (and any further proof where applicable)</th>
<th>Reimbursement request, invoice, fiscal receipt (and any further proof where applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Condition 2)</td>
<td></td>
<td><strong>NOT A TAX INVOICE</strong></td>
<td><strong>NOT A TAX INVOICE</strong></td>
<td><strong>NOT A TAX INVOICE</strong></td>
</tr>
<tr>
<td>Reimbursement request</td>
<td>Invoice issued by a person registered under Art 10 – for supplies other than exempt without credit supplies – to a non-registered person</td>
<td>Fiscal Receipt dated after the actual payment date on the SFD <strong>OR</strong> Fiscal Receipt dated before the actual payment date on the SFD AND further proof of payment (e.g. official cheque image from bank, bank transfer advice slip, bank statement, acknowledgement of receipt from supplier, etc)</td>
<td>Reimbursement request, invoice, fiscal receipt (and any further proof where applicable)</td>
<td>Reimbursement request, invoice, fiscal receipt (and any further proof where applicable)</td>
</tr>
<tr>
<td>(Condition 3)</td>
<td></td>
<td><strong>NOT A TAX INVOICE</strong></td>
<td><strong>NOT A TAX INVOICE</strong></td>
<td><strong>NOT A TAX INVOICE</strong></td>
</tr>
<tr>
<td>Reimbursement request</td>
<td>Invoice issued by a person registered under Art 10 – for supplies other than exempt without credit supplies – to a non-registered person</td>
<td>Not a tax invoice + NO EXO number</td>
<td>Fiscal Receipt dated after the actual payment date on the SFD <strong>OR</strong> Fiscal Receipt dated before the actual payment date on the SFD AND further proof of payment (e.g. official cheque image from bank, bank transfer advice slip, bank statement, acknowledgement of receipt from supplier, etc)</td>
<td>Reimbursement request, invoice, fiscal receipt (and any further proof where applicable)</td>
</tr>
<tr>
<td>(Condition 4)</td>
<td></td>
<td><strong>NOT A TAX INVOICE</strong></td>
<td><strong>NOT A TAX INVOICE</strong></td>
<td><strong>NOT A TAX INVOICE</strong></td>
</tr>
</tbody>
</table>

24 If dated prior to the payment date, the fiscal receipt cannot be considered as sufficient proof and further proof is required.

25 If dated prior to the payment date, the fiscal receipt cannot be considered as sufficient proof and further proof is required.

However, the same receipt remains fiscally valid.
5.6 Invoices Payment Process

1. Stakeholders involved in the payment process [Beneficiary, Line Ministries (DPI and Accounting Officers), Treasury and the Central Bank of Malta] are to ensure that the payment process moves in the shortest time possible since Malta will only be able to draw funds from the European Commission on the basis of payments effected to the contractors. It is the responsibility of the Project Leader to ensure that invoices and the relevant documentation are sent in time and correctly (i.e. first time round) in order not to slow down the process.

2. For further information related to the Payment process, the Beneficiaries should refer to Guidelines provided by Treasury Department.
5.6.1 Roles and responsibilities of all key players involved in payment process

<table>
<thead>
<tr>
<th>Functions</th>
<th>Responsible Body</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Certifying Works/Services/Goods and Invoicing</td>
<td></td>
</tr>
<tr>
<td>a) The SFD14-20 is the single channel through which requests for payment (invoices or reimbursement requests) related to the Cohesion Policy 2014-20 are processed for ultimate payment (or reimbursement) by Treasury.</td>
<td>Beneficiary</td>
</tr>
<tr>
<td>b) Tutorials for the processing of payments will be available on the MA website</td>
<td></td>
</tr>
<tr>
<td>c) Payments under the Cohesion Policy 2014-20 are effected in a three-stage process, where:</td>
<td></td>
</tr>
<tr>
<td>i. The Beneficiary receives the request for payment from the Contractor (or the finance unit within the Beneficiary organisation in the case of reimbursement requests). Following vetting of the request (to ensure compliance with section 1 above) and confirmation of its adequacy, the Beneficiary generates online an Invoice Status Certificate (ISC) in the SFD14-20.</td>
<td></td>
</tr>
<tr>
<td>ii. The Beneficiary sends the documents to the Line Ministry (office of the Ministry’s Director Programme Implementation), for the second stage;</td>
<td></td>
</tr>
<tr>
<td>iii. The Treasury receives the documents from the LM, for the execution of payment.</td>
<td></td>
</tr>
<tr>
<td>d) To fulfil the step in point (c) above, the Beneficiary shall:</td>
<td></td>
</tr>
<tr>
<td>i. validate the invoice – validation implies that the data on the invoice is correct. The Beneficiary shall check the following:</td>
<td></td>
</tr>
<tr>
<td>- the invoice is the original. This means that the hard original of the invoice is handed over by the Contractor to the Beneficiary. Scanned invoices sent by email or other similar computerised means (not electronic invoices as defined in the VAT Act) and printed by the Beneficiary are not acceptable;</td>
<td></td>
</tr>
<tr>
<td>- the invoice is addressed to the Beneficiary, issued by the company/individual awarded the contract and preferably bears the relevant contract reference code.</td>
<td></td>
</tr>
<tr>
<td>ii. ensure that the invoice is based on and reflects the schedule of payments as stated in the respective contract (if applicable). The Beneficiary must also ensure that advance payments in subsequent interim payments are discounted as stipulated in the contract;</td>
<td></td>
</tr>
<tr>
<td>iii. ensure that the expenditure being claimed is in line with the Grant Agreement of the project and the eligibility rules of the OP;</td>
<td></td>
</tr>
<tr>
<td>i. verify the delivery of supplies (including quantities), works/ and/or services (except where the invoice refers to an advance payment)</td>
<td></td>
</tr>
<tr>
<td>ii. confirm compliance with Community and national rules</td>
<td></td>
</tr>
<tr>
<td>The Beneficiary shall then complete the online checklist on the ISC which is a means of confirming that all the checks above have been carried out. It is important to note that the ISC must be completely filled in in the system by the Line Ministry and subsequently by Treasury to be considered as</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

26 The Beneficiary is not to accept invoices that are issued by subsidiary companies and/or by one of the partners in the case of a joint venture.
Through the validation on ISC, the Project Leader (or delegate) is confirming that all the contents of the invoice are in line with the contract, Grant Agreement and the national rules on invoicing.

e) The Beneficiary shall scan the invoice (and any additional documentation required such as the summary certificate of the supervisor in relation to works) and upload it on the SFD (refer to Chapter 12 – Uploading of Documents section). It is important that the Beneficiary retains a copy of the invoice/reimbursement request and any supporting documentation in the project file.

f) The Beneficiary validates through the database the ISC and the original invoice (and any additional documentation required), which should then be electronically checked and validated by the Line Ministry.

Attention: Corporations, Other Public Sector & Public Equivalent Beneficiaries:

In the case where the MT co-financing and any ineligible costs (such as VAT) are not provided for in the Cohesion Policy line items, the Treasury Department shall charge the applicable amount to the respective capital vote of the entity.

Attention: Voluntary Organisations:

Voluntary organisations are to attach a cheque equivalent to the value of their share (20% of public eligible cost as well as the total of any ineligible cost) on each invoice.

4. Authorising Payments

In the second stage of the payment process, the Line Ministry confirms the checks carried out by the Beneficiary and electronically validates the ISC which will electronically be registered as authorising payment.

The electronic validation of the Line Ministry confirms that:

a) the Beneficiary has carried out the relevant checks, has completed the ISC as required on the SFD;

b) the relevant National and Community rules, including Public Procurement Regulations and Eligibility Rules, have been complied with;

c) the Beneficiary uploaded the relevant request for payment and required supporting documentation (refer to Chapter 12 – Uploading of Documents section);

d) the amount being claimed corresponds to a valid contract; and

e) the amount being claimed is arithmetically correct.

27 In the case of NGOs and Local Councils, the ISC is to be validated by the Director Programme Implementation, OPM.

28 In the case of NGOs and Local Councils, the Line Ministry function will be undertaken by the Director Programme Implementation OPM.
Submission of documentation from Line Ministry to Treasury

In summary the Programme Implementation Directorate is responsible for:

- liaising with the Accounting Officer with regards to the preparation of the required documents related to commitments in the DAS;
- Complete the online checklist on the ISC;
- and
- Submit (in a timely manner) all the documents to Treasury.

The Beneficiary should consult Treasury for further guidance on the payment process.
5.8 Revenue-generating projects

1. In case of revenue-generating projects after their completion, the beneficiaries are to be guided by the obligations emanating from Article 61 (1-6) of Regulation (EU) No.1303 of 2013 (and subsequent amendments). ‘Net revenue’ is defined as “any operation involving:

   i. cash in-flows directly paid by users for the goods or services provided by the operation, such as charges borne directly by users for the use of infrastructure,

   ii. any operation involving the sale or rent of land or buildings; or

   iii. or payments for services less any operating costs and replacement costs of short-life equipment incurred during the corresponding period.

   iv. any other provision of services against payment”.

Operating cost-savings generated by the operation shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies.

2. Article 61 only applies to relevant operations which are co-financed by the ERDF or Cohesion Fund. However any revenue (e.g. fees) generated from ESF projects is to be reported to the MA. The procedure for the treatment of revenues is laid down in the Eligibility Rules of both OPs.

3. In the relevant cases, the Beneficiary is asked to prepare a financial feasibility (FF) study and / or a Cost Benefit Analysis (CBA) as the case may be, to determine the funding gap. Beneficiaries may be required to update the relevant study as guided by the MA in particular in cases where there are new revenue streams.

4. For revenue generating projects during their implementation, the beneficiaries are to inform the Managing Authority at the time of submission or at the latest at the time of their approval. In line with article 65 (8), the eligible expenditure of the operation to be co-financed from the ESI Funds shall be reduced by the net revenue not taken into account at the time of approval of the operation directly generated only during its implementation, not later than at the final payment claim submitted by the beneficiary. Where not all the costs are eligible for co-financing, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the cost.

5. For the purposes of this Article and Article 61, any payment received by the beneficiary arising from contractual penalties as a result of a breach of contract between the beneficiary and a third party or third parties or that has occurred as a result of the withdrawal of an offer by a third party chosen under public procurement rules (the ‘deposit’) shall not be considered as revenue and shall not be deducted from the eligible expenditure of the operation.

5.9 Accounting System

1. In accordance with Article 123(4 b) of Regulation (EU) 1303/2013, the Managing Authority (or Intermediate Bodies, as applicable) is entrusted with the function of ensuring that:

   […] beneficiaries involved in the implementation of operations reimbursed on the basis of eligible costs actually incurred maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation;

2. Beneficiaries and other bodies involved in the implementation of operations (under ERDF, Cohesion Fund and ESF) maintain either a separate accounting system or adequate accounting code for all transactions relating to the operation. It is therefore the responsibility of the Beneficiary to ensure that all transactions related to each co-financed operation are recorded either:

   i. in a fully-dedicated separate accounting system; or

   ii. through the assignment of a specific accounting code in the existing system (easily identifiable and retrievable, as well as auditable).

In addition, the Beneficiary should ensure that the annual auditor’s certificate to the financial statements for each financial year for the full duration of the project, and for the year following the last reimbursement received by the beneficiary are in file. The MA will carry out specific checks on the above.

29 This rule is not applicable in the case of: 1. technical assistance; 2. financial instruments; 3. repayable assistance subject to an obligation for full repayment; 4. prizes; 5. operations subject to the State aid rules; 6. operations for which public support takes the form of lump sums or standard scale unit costs provided that the net revenue has been taken into account ex ante; 7. operations implemented under a joint action plan provided that the net revenue has been taken into account ex ante; 8. operations for which the total eligible cost does not exceed EUR 50 000
In this regard, in order to ensure compliance with the obligation to maintain a separate accounting the MA has issued specific guidance downloadable from https://eufunds.gov.mt for Intermediate Bodies, Government Entities, Local Councils and Voluntary organisations respectively.
6. Drawdown of Funds from the European Commission

6.1 Grant Agreement

The Grant Agreement signed between the Managing Authority and the Beneficiary gives the relevant detail on the objective, targets and financial allocation of the project. The Grant Agreement binds the Beneficiary to implement the project in accordance with terms and conditions of the said agreement and any requests for changes shall be notified to the desk officer within the MA (and or Intermediate Body in the case of aid schemes) within good time to allow for an assessment by the MA (or the IB as the case may be) of the request and its relevant approval (or rejection). Approvals are sent to the Beneficiary in writing and these are then generally followed up in an addendum. Although the MA shall approve all changes in writing, there is no need to sign an addendum each time there is a change. In the spirit of proportionality and also reduction of administrative burden, an addendum may incorporate several changes that have taken place over a span of time. No unilateral changes (from the Beneficiary) to the Grant Agreement shall be accepted by the MA.

6.2 Savings to the Project

1. It is important to note that as a general rule any savings to a project go back to the Priority Axis of the OP under which the project is co-financed. In this regard, the Beneficiary is to inform the MA of any potential savings or savings registered on the project. **Beneficiaries will be held responsible for any loss of funds to Malta resulting from failure to report savings (or even possibility of savings) to the project in a timely manner.**

2. The Beneficiary cannot utilise any savings arising in one or another component of the project without prior authorization or subsequent endorsement from the MA. As a general rule, if the Beneficiary needs to utilise savings, it should submit a request to the MA to utilise these savings, providing the relevant justification.

6.3 Performance Framework

During 2014-2020 programming period, both ERDF/CF and ESF Operational Programmes will be measured through financial and output targets included within a Performance Framework. In this regard, financial and output targets have been set at programme level. Beneficiaries must contribute to reach these targets in order to avoid any loss of funds and opportunity of growth on the ground.

Financial targets include annual spend targets (known as N+3), which must be achieved to avoid losing unspent sums from programmes, and targets which must be met in 2018 when a mid-term review takes place. If met, this will then release a performance reserve of 6% in 2019.

Another component of the Performance Framework relates to output targets, which again have milestones in 2018. Meeting these will also count towards the release of the performance reserve. Not meeting either could incur a financial penalty. Beneficiaries that will demonstrate the project’s contribution to the achievements of these target will benefit of additional marks at selection stage.

6.4 Statement of Expenditure

1. As explained in Chapter 5 of this MoP, the Maltese Government pre-finances projects. However, Malta can only submit a claim for reimbursement from the EU when expenditure is actually incurred. Therefore, Beneficiaries and Line Ministries are to ensure that invoices are received and payments are processed in the shortest time possible.

2. It is important to note that **failure to ensure that payment procedures are initiated and processed efficiently may result in Malta losing funds.**

3. The paid invoices are stored in the SFD and undergo a verification process by the MA / IB. Once a substantial amount of expenditure is incurred, the MA will, at least three times a year, initiate the verification process for the submission of requests for reimbursement from the Commission. The MA prepares a timetable with established dates for the different stakeholders involved in the process and this is circulated to Public Beneficiaries, IBs, Line Ministry and Treasury. However, this does not preclude the MA from carrying out its verifications earlier and prior to initiation of the verification process. The CA is in formed by the MA on the dates it will be forwarding the relevant SOE documents for certification.

6.4.1 The Verification Process

1. The verification process is an integral part of the implementation system of Cohesion Policy projects. Verification is the process whereby all payments effected by Treasury for each project benefiting from Cohesion Policy Funds are checked again, verified correct at different levels and are eventually submitted to the European Commission (by the CA) for reimbursement. There are various levels and this process is undertaken through the SFD.
a) **At Project level** this process is undertaken by the Beneficiary (refer to the next section for details). Once the Statement of Expenditure at project level is generated, the actual SOE invoice list and declaration (fully signed hard copy) is submitted to the MA for further processing at the next level (Priority Axis level).

b) **At Priority Axis level** this process is undertaken by the MA. In line with Article 125 (5) of Regulation (EU) 1313/2013, the MA undertakes documentary checks (which may include both on-site checks and desk-based checks through SFD14-20) on payments listed in the SOE generated by the Beneficiary for each project. During this stage the MA may ask for additional clarifications and/or additional assurances from the Beneficiary. Those payments that are accepted in the verification process by the MA are then passed on (by the MA) to the CA. At this stage, the MA recommends which payments selected originally at project level may be considered for reimbursement from the EC. In the case of Aid Schemes under Article 107 of the Treaty, the verification process is undertaken by the IB for the whole scheme and forwarded to the MA for onward transmission to the CA to include it in the certification process. The MA shall undertake its own sample checks and may ask the IB for additional clarifications at this stage.

c) Upon receipt of the SOE from the MA, the CA undertakes the certification process. The CA may also ask for clarifications during this process.

### 6.4.2 Verification Process at Project Level

1. For the purpose of this MoP, the focus is on the verification process undertaken by public Beneficiaries or Intermediate Bodies at Project Level.

2. Only payments that have been processed correctly (in line with Chapter 5) and against which there are no pending follow-up issues (including suspicion of irregularity) by any of the stakeholders in the system should be verified by the Beneficiary or IB.

3. When undertaking the verification process, the Beneficiary or IB must undertake a review of any relevant pending payments not included in previous SOEs. Beneficiaries/IBs may utilise the *ad hoc* checklist which is *only* a guidance of issues that the Beneficiary/IB should check prior to verifying the payments in the Statement of Expenditure at Project Level. The checklists below respond to the status of the Beneficiary (i.e. whether public or not). The Beneficiary should refer to the relevant Administrative Verification Template, as well as the Appendix on verification of Invoices template and the Follow up Administrative Verification template. All forms can be found in the links below:

   I. Administrative Verification Template (Documentary On-the-Spot Check Report) Schedule 2 Organisations
   II. Administrative Verification Template (Documentary On-the-Spot Check Report) Schedule 3 Organisations (except Local Councils)
   III. Administrative Verification Template (Documentary On-the-Spot Check Report) Local Councils
   IV. Administrative Verification Template (Documentary On-the-Spot Check Report) Voluntary Organisations
   V. (Appendix to a,b,c,d) Verification of Invoices Template (Desk-based Checks) VI. Follow up Administrative Verification Template

4. Once the Beneficiary/IB undertakes the review exercise and is satisfied that all expenditure incurred is in line with the Grant Agreement and contract and in compliance with the established Cohesion Policy procedures, the Beneficiary/IB can generate the Statement of Expenditure by Project (including all relevant payments pertaining to that project) through the Structural Funds Database 2014-20. It is important that the Beneficiary/IB generates the SOE within the stipulated deadline as set out in the timetable issued by the MA (see para 2 of section 6.4 above).

5. It is important to note that the SOE is prepared for every project or scheme separately.

6. Once the SOE is generated through the SFD 14-20, the project leader prints and signs the SOE together with the Declaration and a pdf scanned copy of the SOE is uploaded on the SFD 14-20. The Beneficiary should refer to SFD tutorial ‘How to generate a Statement of Expenditure (SOE) by Project’. It is important that the Beneficiary/IB ensures that all necessary documents (as per section 12.3 of this MoP) have been uploaded on the SFD prior to submitting the SOE and Declaration to the MA.

7. The Beneficiary/IB sends the signed original SOE by Project and the Declaration to the MA for the 2nd stage of the verification process.

8. It is important to note that should the MA require any clarifications on expenditure included in the SOE, the MA submits (via an email) a request for clarification to the Beneficiary/IB. The latter must reply immediately to the MA’s request in view of the tight deadlines within which the verification process is completed. The Beneficiary must note that the above does not preclude the MA from carrying out its verifications earlier and prior to initiation of the verification process. If the MA is

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34 SFD Tutorial will be available on the MA website

35 This will be available on the MA website
satisfied with the Beneficiary’s reply, the MA will proceed with the verification process. If the MA is not satisfied with the Beneficiary’s reply, the MA may either request additional information or notify the CA for further action.

6.5 The Certification Process

The Certifying Authority has the overall responsibility for the certification process. Once the verification process is concluded, the SOE (together with any relevant comments) are sent to the CA for further processing. The CA undertakes its own checks of the relevant documentation and may also ask for clarifications. The CA may reject part of the SOE in which case the relevant information will be uploaded in the SFD 14-20 by the CA. It is important for Beneficiaries to reply immediately to any requests for clarification from the CA in order not to delay the certification process and the drawdown of funds from the Commission. The Project Leader shall ensure that any documentation submitted by the CA is filed in the appropriate manner (in the project file) in order to ensure a full audit trail of the certification process (see table related to Documents to be retained).
7. Monitoring, Reporting and Evaluation

7.1 Monitoring and Evaluation

The Managing Authority has drawn up two Monitoring and Evaluation Strategies, one covering the European Social Fund and another one covering the European Regional Development Fund and Cohesion Fund, in line with Article 56 of Regulation (EU) 1303/2013. The ERDF/CF Monitoring and Evaluation Strategies was presented to the MC on 20th November 2015 whilst the OP II Monitoring and Evaluation was presented on 26th February 2016. These are both annexed to the Manual of Procedure and therefore for detailed information on the monitoring mechanisms and evaluations to be carried out during the 2014 -2020 programming period, these should be consulted.

7.2 Monitoring

The monitoring requirements for the 2014-2020 programming period are set in Articles 47 to 53 of Regulation (EU) No 1303/2013. Monitoring is an on-going process of examining the progress of the implementation of interventions, the related expenditure and results to be achieved by the interventions, to ensure the attainment of results at Programme level. This is particularly important in reaching the targets and requirements set in the Performance Framework as indicated in Article 22 of the said Regulation.

As stipulated in the Monitoring and Evaluation Guidance Documents issued by the DG REGIO and DG EMPL, ‘Cohesion Policy programmes are implemented in the context of multilevel governance with a clear demarcation of roles and responsibilities.’ Therefore, the actors involved in the EU funds cycle all have a different role to play in delivering the necessary information to be used in the monitoring cycle. Although the Managing Authority has the overall responsibility for monitoring at Programme level, the monitoring and reporting systems rely on a bottom-up approach and it is important that all actors give their input in a timely and coherent manner.

The implementation system foresees a number of tools and structures that will support the monitoring process, mainly the:

- Structural Funds Database 2014-2020;
- Project updates through Project Progress Reports and a Closure Progress Report will be compiled after the project’s closure stage;
- Monitoring Committee set up in line with Articles 47 and 49 of the said Regulation;
- Ministerial/Intermediate Bodies Project Steering Committees organised by the respective Line Ministries;
- High Level Monitoring Meetings organised by the Managing Authority with a particular Line Ministry and/or Beneficiary; and
- Cabinet.

7.2.1 Monitoring of Results - Use of Indicators

Monitoring of Cohesion Policy Funds is facilitated through the use of indicators, making it possible to measure progress in relation to the baseline situation and the achievements of targets of each project, Priority Axis and the Operational Programme as a whole.

There are three sets of indicators:

- Output indicators relate to what is directly produced/supplied through operations/interventions supported through EU-funding. Outputs are therefore measured at the level of supported people, supported entities, provided goods or services delivered.
- Result indicators measure the immediate benefits of the intervention/group of interventions on the target area or participants. Therefore, result indicators go beyond output indicators in so far as they capture a change in the situation, in most cases related to supported entities or participants, e.g. in their employment situation.
- Financial indicators relate to the total amount of eligible expenditure entered into the accounting system of the Certifying Authority and certified by that Authority in accordance with Point (c) of Article 126 of the Regulation.

In both Operational Programmes I and II, the result and output indicators are described and quantified at Investment Priority level within each Axis, therefore under which most of the interventions of each Axis are likely to occur. The targets established for the
output and result indicators will be achieved at Programme level by the end of the programming period. Nonetheless, a number of output and financial indicators which will be contributing to the Performance Framework have an additional milestone for 2018.

As stated earlier on, in order to achieve the indicators at Programme level, a bottom-up approach is adopted whereby each project selected for funding through Cohesion Policy will have an established set of output and result indicators established in the Grant Agreement. The Beneficiary should ensure the attainment of such indicators, which will ultimately contribute towards the attainment of the indicators set at Programme level under the relevant Axis.

The indicators of each project shall be monitored mainly through the Structural Funds Database (SFD 14-20). However, additional surveys and/or research activities may be undertaken (by the Beneficiary and/or the MA) in the case of certain result indicators.

The Beneficiary is responsible for collecting, verifying and validating the data inputted in the Structural Funds Database and the Project Progress Reports. It is important to note that monitoring of indicators is a condition of the grant and failure to attain the agreed targets could lead to recovery of funds on the project and loss of funds for Malta.

### 7.3 Reporting Requirements

#### 7.3.1 Reporting Requirements by the Beneficiary

- **Project Progress Report**

  The information previously requested within the project progress report is available through the Structural Funds Database. Hence the MA will be confirming with the beneficiaries that the information on the SFD is updated. This does not exclude the need for the MA to ask ad hoc information from the beneficiary as part of its day-to-day monitoring.

- **Project Closure Report**

  Upon completion of the project, the Beneficiary compiles a Project Closure Report. The report must be reviewed by the Director Programme Implementation and endorsed by the Permanent Secretary (in the case of public sector projects). In the case of projects implemented by Local Councils, the report must be also signed by the Executive Secretary and the Mayor. In the case of voluntary organisations, the report should be also signed by the legal representative of the organisation and the person responsible for the organisation’s finances.

### 7.4 Article 71 of Regulation (EU) No. 1303/2013

In accordance with Article 71 of Regulation (EU) 1303/2013, changes to any operation shall be brought to the attention of the MA. The Managing Authority shall be monitoring the obligations under Article 71 for each closed project (in the form of a Beneficiary declaration), in conjunction with the annual monitoring of indicators and other monitoring obligation as deemed relevant. In addition, the Managing Authority (on sample basis) will undertake site visits to check the durability of the co-financed operations.

### 7.5 Evaluation

In line with Articles 54-57 of Regulations 1303/2013, evaluations will be carried out to improve the quality of the design and implementation of programmes, as well as to assess their effectiveness, efficiency and impact. During the 2014-2020 programming period, the European Commission is putting further emphasis on the implementation of a results oriented policy in order to move away from an excessive focus on the absorption of funding.

All Beneficiaries and other relevant stakeholders shall co-operate fully with the Managing Authority and the European Commission (and their delegated Contractors) on evaluation exercises. The Managing Authority shall inform the Beneficiary in advance of any such exercise and the Beneficiary is to ensure that any information and feedback provided during an evaluation exercise is accurate and relevant and is retained by the Beneficiary in file.
Moreover, if approached by an evaluator directly, the Beneficiary shall inform the Managing Authority imminently in order to ensure full co-ordination of the exercise and avoid duplication of effort and resources.

8. Audit and Control

8.1 Introduction

This section is concerned with financial control procedures applied for co-financed expenditure. The framework for proper financial management, control and audit is set out in Regulation (EU) No. 1303/2013.

8.2 Management Verifications (First Level of Control)

1. In accordance with paragraphs 4(a) and 5 of Article 125 of Regulation (EU) No. 1303/2013, the Managing Authority (or its delegated Intermediate Body where applicable) shall verify that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the operational programme and the conditions for support of the operation (see also Chapter 5 of this MoP).

The verifications carried out by the MA include the following procedures:

   (a) administrative verifications in respect of each application for reimbursement by beneficiaries;

   (b) on-the-spot verifications of operations

2. The administrative verifications are based on an examination of the claim and relevant supporting documentation such as i.a. invoices, delivery notes, bank statements, progress reports and timesheets. The amount of supporting documents might be reduced when operations are implemented through simplified costs options. The administrative verifications aim at ensuring that expenditure is carried out in line with the Grant Agreement/Commission Decision 36 Delegated Acts 37 and that the relevant procedures have been followed and that operations and expenditure comply with Community and national rules. It should be noted that these checks are NOT audits. Checks may also be carried out via the Structural Fund Database (SFD).

3. The MA will also carry out physical on-the-spot checks. These checks focus on the physical deliverables of the project. In the case of ESF, on-the-spot visits will be organised (while project is being implemented – e.g. during a training session) to verify the reality of expenditure. The MA may use external expertise to support it during checks of the projects’ physical implementation.

4. In the case of aid schemes under Article 107 of the Treaty, these administrative and physical verifications are carried out by the Intermediate Body (IB). The IB can also be supported by external technical expertise.

5. Administrative and physical verifications may be carried out throughout the project’s lifetime. The MA/IB shall inform the Beneficiary that an administrative/physical check will take place at least one day in advance. The check-list template (see section 6.2.2. of this Manual) used during the visit is sent to the Beneficiary with the on-the-spot check notification in order to help the Beneficiary prepare for the visit. The on-the-spot check is carried out in the presence of the Beneficiary.

6. The Beneficiary shall ensure that the Project Leader and any other relevant officials are present for the checks and that the relevant documentation is readily available.

7. Finally, the Beneficiary is to note that the objectives of the MA checks are not intended to offer the Beneficiary any comfort/guarantees with regard to audits, but are merely management verifications in line with the relevant regulation.

8.2.1 Follow-up Action to the Management Verifications

1. Following an on-the-spot check, the MA shall send the draft report (outlining findings and follow-up/recommendations 38 ) to the Beneficiary for signature /comments. If the Project Leader responsible for the project fails to sign the administrative check/on-

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36 A Commission Decision is applicable in the case of major projects.
37 In cases of Simplified Costs Option
38 Where applicable.
the-spot check report within the stipulated deadlines, the final report may still be considered closed and the MA may upload the final report unsigned on SFD14-20 for the benefit of the relevant stakeholders.

2. Any follow-up action required by the Beneficiary (as identified by the MA) will need to be undertaken within a stipulated deadline. Failure to do so may result in the MA taking action on the beneficiary.

3. In the case of Aid Schemes under Article 107 of the Treaty, Follow-Up Checks are undertaken by the Intermediate Body managing the scheme, as necessary.

8.3 Systems Audits and Audits on Operations (Second Level of Control)

1. Systems audits and audits on operations are carried out by local and foreign audit institutions. The Internal Audit and Investigations Department (IAID) is the designated Audit Authority in terms of Articles 123 and 127 of Regulation (EU) N° 1303/2013 and it is the main entity responsible for system audits and audits on operations. The audits (obligatory by Regulation) are carried out on an on-going basis throughout the programming period as well as during the closure of the Operational Programme (up to three years following the closure of the Operational Programme).

2. Systems audits are carried out in accordance with paragraph 1 of Article 127 of Regulation (EU) N° 1303/2013 in order to verify the effective functioning of the management and control systems of the OP. Systems audits may be carried out on the main implementing bodies and other horizontal stakeholders, as well as on cross-cutting issues by undertaking audits on operations.

3. Audits on operations are carried out on the basis of an appropriate sample to verify expenditure declarations to the European Commission in accordance with paragraph 1 of Article 127 of Regulation (EU) N° 1303/2013. The audit authority may decide to audit a complementary sample of operations in order to guarantee coverage of different types of operations, beneficiaries and Union priorities.

An audit on operation usually includes:

- Reconciliation between the expenditure claimed and the supporting documents; and
- Verification of the execution of the operation, the eligibility of the expenditure, the provision of co-financing and of compliance with relevant EU and national legislation, including, where applicable, public procurement, state aid, equal opportunities and the environment.

5. The Audit Authority will inform the Beneficiary to be audited at least one day in advance.

6. The Beneficiary must ensure that all relevant documentation is made available to the auditors. The Project Leader should ensure that the necessary support is provided to the auditors in carrying out their work.

7. The Audit Authority will send all audit reports to the Managing Authority for onward submission to the respective auditee as it deems necessary and will copy them concurrently to the Certifying Authority.

8. The Beneficiary is in the first instance responsible to follow up any recommendations in any audit report prepared by the AA. The Line Ministry is to ensure that the Beneficiary has followed up the recommendations within the relevant time-line. The MA shall be responsible to coordinate the replies to feedback and comments provided by the Audit Authority. These replies shall be submitted within one month of the date of the draft audit report.

9. Within a reasonable time period, the Managing Authority is to ensure that remedial action is taken on the findings and recommendations included in the final audit report. The actions taken are to be communicated to the audit authority. The Audit Authority reserves the right to organise follow-up audits if necessary.

10. Beneficiaries should note that other organisations including the National Audit Office (NAO) as well as the European Commission and the European Court of Auditors may undertake audits on the projects. Other organisations such as the SAMB or the VAT Department may carry out checks on the project in order to ensure that the project is being implemented in accordance with State Aid or VAT regulations.

8.4 National Audit Office

1. As the external auditor of Government, the National Audit Office (NAO) may carry out audits on projects co-financed through Cohesion Policy. The NAO may carry out audits on projects which are implemented by public entities and agencies as well as the private sector or projects implemented by voluntary organisations.

2. Beneficiaries are to notify the MA in good time when they are in receipt of an announcement regarding an audit on any project co-funded under any one of the two Programmes. The MA, on its part, will seek to support the Beneficiary in the process.

3. Beneficiaries and other stakeholders (whether public or not) shall grant the NAO full access to the project documentation.

8.5 EU Audit Missions

1. Officials from the European Commission and the European Court of Auditors carry out audits (both on systems and operations) on co-funded projects.
2. Auditors generally inform the Maltese counterparts of the mission in advance. In cases where Beneficiaries are informed directly by the EC, the Beneficiaries shall inform the MA to ensure full co-ordination and support.

3. The MA and/or the AA (as the case may be) usually co-ordinates a timetable for the audit mission and informs stakeholders accordingly.

4. Beneficiaries and other stakeholders (whether public or not) shall grant the EU auditors (and/or their delegated contractors) full access to the project documentation.

8.6 Preparing for Audit Visits (applicable to all audits)

1. In general, auditors will want to spend a few days examining documentation held by the Beneficiary organisation, the MA, the DoC, the Treasury as well as the CA. Auditors may also ask to be taken on site of the project.

2. As part of their preparation for an audit mission, Beneficiaries should:

   Ensure that all persons (including technical (possibly contracted) personnel) within the Beneficiary organisation involved in the implementation of the project being audited, are available during the audit mission. Priority must be given to the audit by all those involved in the project being audited. It is important that such persons are appropriately briefed by the Project Leader on the scope of the audit mission. The MA will also support the Project Leader in this regard.

   Ensure that all the project documentation is made available and filed in accordance with the Retention of Documents chapter of this MoP (Chapter 12) to facilitate easy access to the necessary documentation during the audit.

   Provide a spacious meeting room for the audit mission.

   Ensure that photocopy facilities are readily available in view of the fact that auditors may ask for copies of documents that are on file. The Beneficiary will take note of any copies of documentation that is given to the auditors and will submit this list to the MA upon completion of the audit.

   Ensure that the actual site where the project is being implemented is in accordance with the conditions stipulated in the Grant Agreement, particularly in relation to EU publicity requirements. The technical supervisor should also be available for site visits. It is important to note that auditors may give no prior notice with regard to site visits and may ask the Beneficiary at short notice for an ad-hoc site visit.

3. As a general rule auditors will seek to examine the following documentation during an audit visit:

   a. Project Documentation:
      - Copy of application submitted;
      - Signed Grant Agreement between MA and Beneficiary;
      - Addenda to the Grant Agreement and letter/s stipulating any changes to the project; Commission Decision in the case of Major Projects;
      - Feasibility studies & technical studies (where applicable).

   b. Tendering & Contracting
      - Tender document launched on the market;
      - Advertisement of the tender (also in the Official Journal where applicable); List of responses to the publication of the tender;
      - The tendering opening report;
      - Any clarifications requested during the adjudication of the tender;
      - The evaluation report and relevant documentation such as minutes of meeting/s of the evaluation committee;
      - Copy of the publication of the adjudication of the tender (and the Contract Award Notice (CAN) where applicable); Contract drawn up and signed by the DoC/Beneficiary and the Contractor; Any subsequent addenda to a contract;
      - Any other relevant documents related to the contracts (including employment contracts) of the project.

   c. Other Community policies
      - All relevant documentation related to other community policies, including state aid, equal opportunities and sustainable development.

   d. Payments

39 This is only an indicative (not an exhaustive) list of documents which the auditors may ask to review. Other documents which should be part of sound of financial management and therefore part-and-parcel of any Beneficiary’s obligations are not necessarily listed here.

40 In the case of contracts administered by the Beneficiary organisation.

41 Where applicable.
Copies of the SoEs of the project;  
Copies of a sample of the invoices listed in the SoEs and the relevant ISCs (originals are retained at 
the Treasury).  
Debit Advices raised through DAS;  
Receipts obtained from the Contractors;  
Certification of works by technical supervisor, acceptance certificates / reports for supplies, services.

e. **Information and Publicity**

Photos or recordings evidencing information activities or publicity undertaken in relation to the project;  
Original adverts, brochures, leaflets or any other publicity material and promotional items produced 
through the project;  
Copies of handouts, documents, attendance sheets, certificates, agendas and other publications displaying 
EU information and publicity requirements.  
Copies of press articles (where applicable);  
Verification of compliance with compulsory EU information and publicity requirements during on site visits (such as 
billboards, posters, permanent plaques and identification stickers or plaques on physical items/equipment);

f. **Monitoring reports**

Copies of the progress reports prepared by the 
Beneficiary; Viewing of progress updates in the SFD;  
Record keeping of time sheets (particularly in the case of employment contracts and or schemes).

g. **Others**

Lists of participants;  
Selection of participants (mainly in case of ESF and related operations);  
Progress / Performance reports of contracted employees / trainers;  
Documentation related to the work of trainers (lesson notes / plans, weekly/fortnightly/ monthly progress  
reports by the trainers;  
Attendance sheets;  
Evaluation sheets.

### 8.7 Follow-up to an Audit Mission

Once the audit mission is complete, the auditors submit a report with the findings and recommendations (where necessary). If there is the need, the auditors may ask any of the stakeholders for clarification/s. In case of EC audits, the replies will be co-ordinated by the MA/AA and a co-ordinated reply will be given on behalf of the Member State.

### 8.8 Audits after Closure of Programme

Beneficiary should note that projects can be audited even after project implementation. In view of this, *all project documentation must be retained by the Beneficiary as specified under section 12.1 of this manual (date will be communicated by the MA)*.

### 8.9 Ex-Post Management Control

1. Beneficiaries should take note of Article 71 of Regulation (EU) N 1303/2013. All grants are bound by the conditionality in this 
article, namely that an operation comprising investment in infrastructure or productive investment shall repay the contribution 
from the ESI Funds if within five years of the final payment to the beneficiary or within the period of time set out in State aid 
rules, where applicable, it is subject to any of the following:  
a) a cessation or relocation of a productive activity outside the programme area;  
b) a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;  
c) a substantial change affecting its nature, objectives or implementation conditions which would result in 
undermining its original objectives.

An operation comprising investment in infrastructure or productive investment shall repay the contribution from the ESI Funds if 
within 10 years of the final payment to the beneficiary the productive activity is subject to relocation outside the Union, except where 
the beneficiary is an SME. Where the contribution from the ESI Funds takes the form of State aid, the period of 10 years shall be 
replaced by the deadline applicable under State aid rules.

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42 As the case may be.
Operations supported by the ESF and operations supported by the other ESI Funds that are not investments in infrastructure or productive investments shall repay the contribution from the Fund only where they are subject to an obligation for maintenance of investment under the applicable State aid rules and where they undergo a cessation or relocation of a productive activity within the period laid down in those rules.

2. All Beneficiaries are to inform the MA immediately of any such changes to the project. Such changes may require that financial corrections (partial or in full as applicable) be made which could result in the cancellation of all or part of the EU contribution.

3. In line with Article 61 and as per article 65 (8) the Beneficiary must also monitor the revenue being generated by the project to ensure that this is in line with the revenue indicated at application stage. Should there be any substantial deviations (as defined in the regulation/Commission guidance documents), the Beneficiary must immediately inform the MA in view of the fact that such changes may also require financial adjustment/correction to the Public Eligible allocation to the project. The Beneficiary will be held responsible for failing to report such changes in a timely manner which could result in loss of funds not only to the Beneficiary but also to Malta.
9. Reporting on Irregularities and Fraud

9.1 Irregularities and Financial Corrections

1. **An irregularity** is defined as 'any breach of EU law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the EU by charging an unjustified item of expenditure to the budget of the EU'.

2. It is important to note that failure to apply rules and regulations can result in irregularities which, in turn, could lead to financial corrections. In certain cases, particularly in the case of public procurement, the recovery can be up to 100% of the overall contract value. In the case of systemic irregularities the recoveries can extend to other or all components of the project and possibly other projects being implemented by the same beneficiary.

3. Irregularities can be individual or systemic in nature:
   - **An individual irregularity** is a one off error which is independent of other errors in the population or deficiencies in the systems.
   - **A systemic irregularity** is an error, repeated or not, resulting from the existence of serious deficiencies in the management and control systems for which requirements are set out in Title VIII of Regulation (EU) No. 1303/2013. Systemic irregularities are weaknesses in the management and control system.

4. The amount of the financial correction is assessed, wherever possible, on the basis of individual cases and is equal to the exact amount of expenditure wrongly charged to the EU budget. However, precisely quantified corrections are not always possible or cost effective if extensive additional verification work is needed. In such cases a flat rate correction, proportionate to the seriousness of the irregularity or the system deficiency, should be made.

5. **Quantifiable corrections** – The financial impact of an irregularity is quantifiable precisely when it is possible, on the basis of an examination of the individual irregularity, to calculate the exact amount of expenditure wrongly declared to the Commission (e.g. ineligible expenditure). In such cases the financial correction should be calculated exactly.

6. **Non-quantifiable corrections** – In other cases, due to the nature of the irregularity or system deficiency, it may not be possible to quantify precisely the financial impact (e.g. non-compliance with public procurement or publicity rules). In these cases, a flat rate correction may be applied to the individual operation based on the seriousness of the irregularity or deficiency identified.

7. **Extrapolated corrections** – Where irregularities have occurred in a great number of activities throughout an operation, but it is not cost-effective to verify the regularity of such activities not included in the verified sample, the financial correction may be based on extrapolation. In this case, the results of a thorough examination of a representative sample of the individual cases concerned are extrapolated to all expenditure in the population, in accordance with generally accepted auditing standards.

8. Upon detection of systemic irregularities in a project, the MA shall immediately notify the beneficiary and relevant stakeholders (AA, CA, Treasury and other stakeholders as may be applicable), informing them of the immediate measures to be taken. These may include recovery of irregular amounts, suspension of payments on the project, interruption of payments on other operations managed by the same beneficiary, corrective action required to reinstate adequate management and control systems in particular so that the risk of any future recurrence is mitigated, and relevant deadlines for all action.

9. Irregular amounts, for both systemic and individual irregularities, shall be recovered **within three months of circulation of report**. The periods established shall be interrupted in the case of legal proceedings or other duly motivated cases. Interest charges may apply.

10. When funds have to be recovered from a beneficiary and the latter does not effect the reimbursement, reminders will be sent to the beneficiary following the three month recovery period cited in point 9 above. Failure on the part of the beneficiary to submit the relevant amount, the MA will institute legal proceedings through the Attorney General for the recovery of the amounts involved.

9.2 Detecting and reporting irregularities

1. Article 122 of Regulation (EU) No. 1303/2013 regulates the reporting of irregularities.

2. There are various methods how irregularities can be detected: **a. At management and control level through:**
   - Checks undertaken by stakeholders (including beneficiaries) during implementation (e.g. payment process);
   - Checks made during the management verifications (both administrative and physical) by the MA;
   - Checks made during the certification process by the CA;

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43 Article 2 (36) of Regulation (EU) No. 1303/2013
44 MFIN Circular No. 3/2014 ‘Guidelines regarding recoveries of irregular expenditure paid by Treasury on EU Funds under shared management’
Checks undertaken by other stakeholders in the system;
Audits under Article 127 of the Regulation (EU) No. 1303/2013;
and Audits carried out by other audit bodies.

b. Through other methods such as:
Fiscal controls; Evaluations;
Initial/judicial enquiry;
Ex-post checks and controls;
Correction of accounts
(reconciliations); Denunciation;
Grievance or complaint (anonymous or not); Preventive controls;
Release of the guarantees;
Press information;
Parliamentary statements;
Situation of the operator;
Situation of the beneficiary; EU controls.

3. Any one player (the MA, CA, AA, Treasury, DoC, line ministry, beneficiary or any other relevant entity) involved in the implementation of ESI Funds, who, at any stage of implementation and/or control procedure, becomes aware of an irregularity (whether individual or systemic), has the duty to IMMEDIATELY report the irregularity to the MA in accordance with the procedures specified in this chapter. The person/organisation detecting an irregularity at any stage of the implementation of the programme, shall prepare the ESI Funds Irregularity Report (Annex 9), giving details on the relevant irregularity. The MA shall then circulate the report to all relevant stakeholders.

4. In the case of public sector beneficiaries, the report, signed by the person reporting the irregularity, is sent to the Director (Policy Development and Programme Implementation) of the relevant line ministry who counter-signs the report and forwards it immediately to the MA, copying the AA and the CA. The MA shall then circulate the report to all relevant stakeholders.

5. There might be circumstances where officials feel constrained to by-pass the normal system of reporting irregularities. Whenever this situation arises, an official is given the opportunity to report any irregularity directly to the MA (copying the AA and CA) by filling in ESI Funds Irregularity Report (ESIFIR).

6. In the case of non-public beneficiaries (NGO, partners), the report is sent directly to the MA (copying the AA and CA).

7. In the case of private beneficiaries, the report is sent to the MA copying the AA and the CA.

8. The MA retains both a hard and soft copy of the irregularities reported.

9. As can be inferred from theed above, the AA would be in copy of irregularity reports. The AA fulfils also the role of the Anti-Fraud Co-ordinating Service (AFCOS) Malta. In this framework, AFCOS (Malta) reports irregularities to OLAF (The European Anti-Fraud Office) using the Irregularities Management System, if the irregularities are within certain parameters. These parameters are described in Article 122(2) of Regulation (EU) No. 1303/2013.

9.3 Content of an Irregularity Report
The template of the ESI Funds Irregularity Report includes the following details:

- General information on the OP, Fund, Union priority and project affected by the irregularity;
- The date and source of the information when the irregularity was detected;
- The organisation detecting the irregularity;
- The total recoverable amount and its distribution between the different sources of funding;
- The regulation / decision / procedure which has been infringed;
- The nature and amount of the expenditure;
- The practices employed in committing the irregularity;
- Explanation of how the irregularity was quantified;
- Type of irregularity;
- Qualification of the irregularity;
- Indication on how the irregularity was detected;
- The period during which or the stage at which the irregularity was committed;
  - The body or bodies involved, except in cases where such information is of no relevance in combating irregularities on account of the character of the irregularity concerned;
  - The financial consequences, the suspension (if any) of payments, the procedure to be undertaken for recovery and relevant deadlines;
- Other applicable information; and
In cases where the project leader fails to sign the Irregularity Report within the stipulated deadline, the final report will be considered closed and the MA may upload it unsigned on SFD 14-20 for the benefit of the relevant stakeholders.
Table 2: Irregularities

Certifying Authority
Treasury
Department of Contracts
Intermediate Bodies
Director Programme Implementation
Beneficiaries
Audit Authority

European Commission
IGQAF

Audit Authority
Managing Authority
Certifying Authority
9.4 Financial corrections and recoveries

1. An irregularity that warrants a financial recovery will be specified in the relevant irregularity report (Annex VI). In this case, it must be ensured that recovery procedures are initiated immediately, in line with the instructions of the MA.

   In case of financial corrections, all or part of the contribution from the EU budget is cancelled.

2. In the case of public entities, a note addressed to the head of the organisation (copying the Permanent Secretary, the Director Programme Implementation, the project leader, AA, CA and Treasury) shall be issued by the MA (or any other relevant organisation drawing up the irregularity report) specifying the amount to be recovered.

3. In the case of Local Councils, the recovery note shall be addressed to the mayor, copying the Director of Local Government, the Executive Secretary, the project leader, AA, CA and Treasury.

4. A deadline for the settlement of the recovery is set in the recovery note, which, in any case, should not exceed three calendar months from the note. It is to be reiterated that failure to settle the irregularity in a timely manner may lead to suspension of any remaining funds on the operation and/or other operations being implemented by the same Beneficiary.

5. The MA shall be responsible to ensure that all necessary procedures are established so that funds are recovered within reasonable deadlines (as provided by MFIN Circular No 3/2014), that timeframes for corrective action are respected and that the necessary escalation procedures are followed. The MA shall set formal deadlines in the irregularity report within which all action is to be completed. Such periods shall be interrupted in the case of legal proceedings or duly motivated cases.

9.5 Fraud

Whilst Irregularities involve breaches of certain conditions of funding and may be the result of genuine errors (e.g. not filling out a form correctly) fraud is a deliberately committed irregularity constituting a criminal offence.

The Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities’ financial interests, defines “fraud”, in respect of expenditure, as any intentional act or omission relating to:

- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of the European Communities;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they were originally granted.

According to Article 59(2) of the Financial Regulation, Member States shall take all necessary measures, including legislative, regulatory and administrative measures, to protect the Union’s financial interests, namely by preventing, detecting and correcting irregularities and fraud.

The MA has a clear commitment to combat fraud and corruption both through preventive and detective control mechanisms, and it is determined in transmitting cases to the competent authorities for investigations and sanctions.

9.6 Preventive Actions

The MA is determined to prevent fraudulent activities. For this purpose, the MA encourages all Beneficiaries to put in place an effective internal control system which aims at deterring potential fraudsters and also in maximising the commitment of staff to combat fraud.

For this purpose, the Beneficiary should ensure to:

- Raise awareness through formal training of all staff complement involved in the management of the EU Funds about preventative and detective controls measures as well as specific roles and responsibilities of all stakeholders and reporting mechanisms;
- Put in place an effective separation of duties, particularly with respect to financial and control units and rotate staff (when possible);
- Promote an ethical culture among staff to act honestly and with integrity to safeguard all national and Community resources;
- Ensure that staff involved in the management and implementation of EU funds is aware of possible conflict of interest or fraudulent behaviour at every stage of implementation;
- Encourage staff complement to report any case of suspected fraud concerning EU Funds to the Managing Authority, either through their respective hierarchy or directly if necessary;
Conduct regular verifications ensuring that staff in charge is aware of the Commission and any national guidance on fraud indicators (as in the European Commission’s Guidelines for national anti-fraud strategies for European Structural and Investment Funds (ESIF)).

9.7 Detective Actions

As asserted by the EU, effectively implemented robust control systems can considerably reduce the fraud risk but cannot completely eliminate fraud from occurring or remaining undetected. This is why the systems also have to ensure that procedures are in place to detect fraud and to take appropriate measures once a suspected case of fraud is detected.

The below procedure highlights the authority levels, responsibilities for action and reporting lines established in the event of suspicion of fraud.

When any relevant authority or beneficiary, or their members of staff, suspects that fraud has occurred, he/she must notify his/her immediate superior. If it is inappropriate to raise the matter with the immediate superior, the concern should be raised with the Head of the Beneficiary/Ministry/Managing Authority. The official with whom the report was filed must immediately relay the message to the Head of the Managing Authority.

Timeliness plays a crucial role when addressing suspected cases of fraud. Consequently, when identifying cases of potential fraud, the officers’ immediate action is to alert his/her immediate superior verbally. This claim which is treated with confidentiality (subject to legal obligations) is followed up by a written report so that the relevant authorities can be informed and asked to investigate further.

The Body reporting the suspicion of fraud must act with caution in dubious situations which might lead to fraudulent transactions. In the case of detection of possible forged documents, the Treasury is advised to temporarily stop all payments addressed to the supplier/contractor in question.

The body identifying/reporting the irregularity/suspected fraud should inform in writing the Permanent Secretary and/or Head of the Beneficiary, and the Internal Audit and Investigations Department as per Article 16 of the Internal Audit and Financial Investigations Act (chapter 461 of the Laws of Malta), which states that “If an entity has reason to suspect any irregularity and, or a suspected case of fraud of public funds, it shall refer the matter forthwith to the Director (of IAID), and shall supply to the Director all information in his possession relating thereto”.

In terms of Article 18 of the Internal Audit and Financial Investigations Act, “whenever, and as soon as the Director firmly establishes the existence of suspected cases of irregularities and, or suspected cases of fraud concerning the responsibilities of the auditee under review, the Director shall, if he is of the opinion that the irregularity, if proved, would constitute a criminal offence immediately inform the Attorney General”.

The Attorney General will evaluate the case in question and determine whether:

• To forward the case to the Malta Police for a criminal investigation; or
• Terminate proceedings of the case at that juncture.
• The Commissioner of Police forwards to the body reporting the case a copy of the report of the investigation including any court action to be taken by the Police.
• Where the investigation report concludes that no criminal proceedings are required (i.e. it is prima facie confirmed that the suspicion of fraud is not correct) the Managing Authority advises Treasury to proceed with payment of pending invoices.
• On the other hand, where the investigation report concludes that criminal proceedings are required (i.e. it is confirmed that the suspicion of fraud is factual) the Managing Authority recommends the withdrawal of any suspicious payments from certification already carried out.

9.8 Effective and proportionate anti-fraud measures

Article 125(4)(c) of Regulation (EU) N° 1303/2013 obliges the MA to put in place effective and proportionate anti-fraud measures taking into account the risks identified. The MA will use a fraud risk self-assessment tool to assess the impact and likelihood of common fraud risks occurring. The tool identifies specific fraud risks in relation to three processes namely:

i. Selection of applicants;
ii. Implementation and verification of the operations;

iii. Certification and payments

For each of the specific risks, the first step is to quantify the risk that a given fraud type would occur by assessing impact and likelihood, ignoring the current mitigating internal controls (gross risk). The second step is to factor in the current controls in place and assess the effectiveness of these controls to mitigate the gross risk. The resulting risk (the residual risk) should then be assessed on whether it is tolerable or not; if it is not tolerable, additional controls would have to be introduced till the risk level is considered by the MA to be tolerable (target risk).

Thus the output of the fraud risk assessment identifies those specific risks with respect to which not enough is in place to reduce the combined likelihood and impact of potentially fraudulent activity to an acceptable level. The team carrying out the assessment, mostly made up of officers managing the ESI Funds, should then come up with further corresponding anti-fraud measures mostly in the form of mitigating internal controls. The fraud risk assessment exercise is undertaken periodically or whenever a significant alteration to the management and control system is made.
10. Information and Publicity

10.1 Introduction

This section provides information on ESIF Information and Publicity requirements to ensure that the results and achievements of the Programmes and projects co-funded by EU-funding are communicated as widely and effectively as possible. These measures are intended to ensure transparency and increase visibility, awareness and promote further the role of ESIF.

In this regard the Managing Authority has also prepared a Communication Strategy in line with Articles 115-117 and Annex XII of Regulation (EU) No 1303/2013 and Implementing Regulations (EU) No 763/2014, and was approved by the Monitoring Committee of the European Regional Development Fund and Cohesion Fund on 22nd May 2015 in line with Article 110(2) of Regulation (EU) 1303/2013.

Malta has decided to adopt a common plan to cover information and communication activities related to Malta’s ESIF. This Communication Strategy (being annexed to this document) outlines the following topics: (a) the legal framework (b) objectives of the Communication Strategy (c) Malta’s experience in communicating EU Funds throughout 2007-2013 programming period (d) communication strategy framework, including the responsibilities of the Managing Authorities, beneficiaries, Intermediate Bodies and collaboration with other stakeholders (e) target groups (f) key communication messages (g) information and publicity measures including the necessary tools and annual communication plan (h) monitoring and evaluation of this strategy (i) budgetary allocation (j) timeframes.

The Managing Authority, Intermediate Bodies, and Beneficiaries shall take the necessary steps to provide information to and communicate with the public on operations supported by an Operation Programme in accordance with Annex XII of Regulation (EU) 1303/2013.

10.2 Role of the Managing Authority (Programme Level information and publicity)

In line with Annex XII of the said Regulation, the MA or the IB shall provide guidance and monitoring while ensuring compliance with the information and publicity regulations and requirements at Programme and project level. The MA undertakes this function through both written guidance and also through training and information sessions which are organised from time-to-time.

10.3 Role of the Beneficiary (Project Level information and publicity)

Besides the responsibilities stipulated in Annex XII, Article 2.2 of the Common Provisions Regulation 1303/2013, the Beneficiary has a number of responsibilities which need to be adhered to, including:

Implementing publicity and information measures in line with the Grant Agreement and these guidelines, including compliance with the EU Funds logos, EU emblem and National Flag of Malta and the compulsory text (altogether referred to as the Visual Identity Guidelines);

Participating in information and publicity measures organised by the MA at Programme level when required;

Reporting on information and publicity actions to the MA when required and also through the Project Progress Reports. Samples/proofs of publicity actions will also be requested for record keeping and verification by the Managing Authority;

Participating in publicity and information measures as well as networks and/or exchanges of experience organised at EU, national or programme level.

10.4 Participation in Publicity and Information Measures at EU or Programme Level

As stipulated in Article 115(2) of Regulation (EU) 1303/2013, the Beneficiary must be aware that acceptance of funding is also an acceptance of their inclusion in online or other published lists and databases of beneficiaries compiled by the MA or the IB on its...
behalf. The information includes name and details of Beneficiary organisation, operation name, operation summary, operation start and end date, total eligible expenditure allocation to the operation. This information may also be uploaded on websites, including those hosted by the Commission and/or other EU institutions where information is collated and presented in order to show activity across Member States.

The Beneficiary shall collaborate with the MA (and/or the IB on its behalf) during the organisation of events or promotional activities, including networks and exchanges of experience at both national and European level.

10.5 5 Visual Identity Guidelines

This chapter complements the Visual Identity Guidelines for the European Structural and Investment Funds (ESIF) 2014-2020 which is annexed to this document. The Visual Identity Guidelines provides the technical specifications for the ESIF logos and the graphical guidelines with layouts/templates for information and publicity measures. These guidelines are an additional tool for the beneficiaries to abide comprehensively by all the relevant EU regulations and other national rules and policies.

Downloadable images of the emblems, logos and flags can be accessed from: www.eufunds.gov.mt/publicity. Furthermore such VIGs are also based on Article 3, 4 & 5 of the Commission Implementing Regulation 821/2014 which explain the instructions for creating the emblem and a definition of the standard colour, technical characteristics for displaying the union emblem and the reference to the Fund or Funds supporting the operation and technical characteristics of permanent plaques and temporary or permanent billboards respectively.

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This list is indicative and not comprehensive of the information that can be published.
11. Delegation of Authority

11.1 Delegating Authority

1. The Beneficiary organisation is responsible for the entire implementation of the project.
2. The Project Leader represents the Beneficiary on all matters related to the project.
3. In cases where the Beneficiary opts for external project management, the Beneficiary is expected to explain to the Managing Authority the internal checks and balances introduced within the Beneficiary organisation to ensure that the Beneficiary retains full control and decision making rights on the project. The Beneficiary should not be represented by external project management for any meetings concerning the project.
4. In order to ensure that the Beneficiary retains full control of the project, it is advisable to nominate a contact person, in addition to the Project Leader.
5. In cases where tight deadlines are involved, such as during the Statement of Expenditure period and the certification of works, invoices and ISCs, the project leader may delegate authority to the contact person or other officials. This option should only be exercised in exceptional circumstances, namely:
   - when the project leader is abroad, on sick leave or vacation leave; and
   - in the case of Aid Schemes, the Project Leader of Intermediate Bodies may delegate authority to selected persons to perform specific tasks for a definite period of time.
6. In the case of Aid Schemes (or any other cases approved by the MA), the IB (or Beneficiary) Project Leader may assign an open delegation of authority to a designated person/s within the Project Leader’s office to:
   i. certify an invoice/RR as correct and sign it;
   ii. insert and confirm invoice/RR details in the SFD,
   iii. complete on SFD 14-20 the electronic ISC and/or
   iv. upload a scanned copy of the reimbursement request, invoice, proof of payment, and any other necessary supporting documentation on the SFD14-20. In such circumstances, it is the responsibility of the project leader and the Beneficiary to ensure that such delegation of authority is adequately documented, covers a definite time period and is supervised.

Only one person shall perform all actions outlined in (i) to (iv) above. Multiple signatures are not permitted.
7. In circumstances where the project leader delegates duties to officers within the Beneficiary organisation, the project leader must complete the necessary delegation of authority form (see below) authorising the officer/s concerned to carry out specific tasks on its behalf.
8. It should be noted that while the function can be delegated, responsibility remains with the project leader.
9. The templates below must be completed and signed by both parties.
10. The provisions of this section also apply to the Line Ministry function. The DPI may delegate authority to another officer within the Directorate to certify invoices on her/his behalf. A specific or general delegation may be applied, but the ultimate responsibility remains with the DPI. The Beneficiary should fill in the ad hoc Delegation of Authority Forms provided by the MA and sent to the MA before the delegate executes the assigned duties. Specifically, the Beneficiaries should choose the appropriate form from the below: (please refer to the annexes provided):

For ERDF Projects:
- Delegation of Authority Form Open (ERDF)
- Delegation of Authority Form Restricted (ERDF)

For ESF Projects:
- Delegation of Authority Form Open (ESF)
- Delegation of Authority Form Restricted (ESF)

For CF Projects:
- Delegation of Authority Form Open (CF)
- Delegation of Authority Form Restricted (CF)
11.2 Termination & Change of Project Leader

1. Should there be a change in the Project Leader, the current PL and the newly appointed PL should draft a letter informing the MA that the current PL will be terminating his/her project leadership (see template for the Notification letter for the change of the Project Leader). The letter should specify the name and designation of the officer who will be taking over the project leadership and the date of the effective handover.

2. Where both parties are available, the letter should be signed by both outgoing and newly appointed project leaders and endorsed by the Permanent Secretary/legal representative of the Organisation, as per specific form. This procedure also applies for project leaders who will be retiring from their post within the Beneficiary organisation. In the case of public sector projects, the respective Line Ministry shall ensure that the above procedure has been undertaken in time and that an effective handing over has been given to the new project leader to ensure the smooth continuation of the project.

3. Beneficiaries should ensure that the post of the Project Leader remains occupied until the end of the document retention period as indicated in chapter 12 of this manual. Beneficiaries can be required to report to the MA, CA and AA (amongst others) even after termination of the project, mainly in the context of the Closure of the Programming period and possible ad hoc audits by European institutions or Maltese Authorities.

49 In the case of NGOs. In the case of local councils, the change should be endorsed by the mayor and executive secretary.
12. Retention of Documents

12.1 General Remarks

All supporting documents regarding expenditure supported by the Fund on approved operations are to be made available to the MA, the European Commission and the European Court of Auditors and any other stakeholders involved in the implementation for a period of time which will be communicated by the MA. An important aspect of the 2014 – 2020 European Structural Fund Programmes is that document retention periods are no longer linked to final closure of the Programmes.

When the Beneficiary is a public organization, Article 10 (2) of the National Archives Act (Chapter 477) applies. Documents of a public nature which are to be preserved in the National Archives include administrative and departmental documents of the Government of Malta, including all documents of Ministries, Government Commissions, Authorities or Boards. All the documents must be kept in the relevant Ministry (or Government Entity) and after 30 years can be transferred to the National Archives and must be available for public inspection.

In the case of Beneficiaries that are not public organisations (such as Voluntary Organisations and Private Sector Beneficiaries), all supporting documents shall be made available for a two year period from 31 December following the submission of the accounts in which the final expenditure of the completed operation is included, as per article 140 para 2 of the Reg. (EU) n. 1303/2013. As a result, the period is dependent on the date at which the final claim is submitted to the Managing Authority so the retention period will be unique to each project and this period cannot be specified at the outset.

All the Beneficiaries will be informed of this retention period at the end of the project.

12.2 Records to be retained

In line with Article 140 of Regulation (EU) n. 1303/2013, all supporting documents regarding expenditure supported by the Funds shall be made available during audit missions. The Beneficiaries must ensure that the following are available:

- Documents relating to specific expenditure incurred, declared and payments made under the assistance and required for a sufficient audit trail including documents constituting proof of actual delivery of works/goods/services co-financed through the EU grant;

Reports and documents relating to checks carried out through:

- the verification of expenditure;
- the certification of expenditure and;
- reports on audits carried out by the Audit Authority (IAID).

The rules regarding document retention apply to all stakeholders involved in delivering and administering structural funds, including the Department of Contract, Treasury, Line Ministry etc. In this regard, in relation to procurement of Contracting Authorities who fall under Schedule 2 of LN 296 of 2010 and whose value exceed the threshold, originals of documents should be retained directly by the Department of Contracts. The Beneficiary will still be asked to maintain documents that originate from the Beneficiary’s end.

1. As indicated in annex Document to be retained Beneficiaries and other stakeholders are required to maintain documents in their original format while others would be required to keep copies of these originals. Copies of the original documents must be kept on commonly accepted data carriers, by a competent officer, which include:

- Photocopies of original documents;
- Microfiches of original documents;
2. It is the sole responsibility of the Beneficiary organisation to ensure easy and quick access to project documentation also after the project closes. This is particularly the case when project management is contracted either outside the organisations or to persons with contracts which may terminate at the end of the project.

3. Where originals are required and these cannot be kept in files, copies of original documents must be certified as true copies of originals. The person certifying such copies, is dependent on the documents being copied (i.e. which stakeholder in the implementation system). In the case of the Beneficiary organisation, documents should be signed by the Project Leader (or delegate) and, in the case of the Line Ministry, by the DPI/DCS (or delegate).

12.3 Records to be uploaded in SFD14-20

1. Specific Guidance on the documents to be uploaded by the MA, Intermediate Bodies (IBs), Beneficiaries and Treasury in the SFD14-20 has been provided in MA Circular 02/2010 ‘Documents to be uploaded in the Structural Funds Database 2014-20’ and MA Circular 02/2010 ‘Documents to be uploaded in the Structural Funds Database 2014-20 Aid Schemes’. These documents are NOT intended to reduce the scope of the retention of documents outlined in this Chapter. They are only intended to ensure consistency and availability of information in the conduct of first-level desk-based controls, provide clear guidance to eliminate unnecessary duplication of work, reduce administrative burdens and mitigate the impact on SFD14-20 hardware capacity. Beneficiaries and stakeholders are reminded that all the obligations relating to retention of documents as stipulated in Article 140 of Regulation (EU) No. 1303/2013, the Eligibility Rules, the Grant Agreement and MoP shall remain valid and effective.

2. Sections 12.3.1 and 12.3.2 list the documents to be uploaded in the Structural Funds Database 2014-20, under each category of funding – Projects and Grant Schemes. Documents are to be uploaded only in Portable Document Format (PDF). Assistance on how to upload the documents on the database can be sought at the SFD14-20 tutorials which will be uploaded on the MA website.

12.4 Data Protection

All Beneficiaries are being reminded to adhere to the Data Protection Act 2001 of the laws of Malta, other subsidiary legislations and the Private policy of the respective organisations. In this regard, the Beneficiaries should refer to MA Circular 03/2010 on Data Protection Compliance which highlights the minimum requirement when processing information of a personal nature.

12.5 Filing System for Project Related Documentation

1. Each standard project file should be divided into the sections identified below (with separators) and should strictly follow the same order, with Section I being the one on top and Section XI being at the very end:
   a. Original Application Form, Letter of Approval, Grant Agreement & Addenda to the Grant Agreement;
   b. General Correspondence, mostly related to the Grant Agreement;
   c. Payment Process (copies of invoices, ISCs and fiscal receipts and other proofs of payment as applicable);
   d. Verification Process (inc. Administrative and Physical On-the-Spot reports);
   e. Certification Process (Statements of Expenditure and letters from the CA regarding rejection of invoices from the SoE);
   f. Procurement and employment procedures;
   g. Monitoring;
   h. Irregularity Reports;
   i. Project deliverables and inventory of fixed assets procured from the project;
   j. Publicity Records;
k. Training records

2. The documents included under each of the above mentioned sections should be filed in date order, with the most recent documents on top.

3. Whilst it is preferable that the Beneficiary retains a separate project file totally dedicated to matters related to the project, it is understandable that Beneficiaries might already have internal filing procedures to be adhered to (e.g. in relation to procurement, human resource recruitment and selection). In order to avoid unnecessary duplication of documents and administrative burden, the Beneficiary may maintain its own filing system AS LONG AS all necessary documents may be retrieved through an easy tracking system (e.g. indexing).

4. Government Departmental files must be kept in line with Department’s procedures. The colour of the departmental file is the same as used by the organisation in its day-to-day business. The instructions on this file are the same as those used for other departmental files for the organisation.

12.6 Retention of Documents

Despite the fact that the purpose of this MoP is specifically focused on the requirements of the Beneficiary, for completeness sake a complete list of documents that need to be retained (in hard original or copy) by the various stakeholders involved in the implementation of Cohesion Policy funded projects can be found in the table ‘Documents to be retained’.

This will give the Beneficiary a complete picture of the requirements attached to the retention of documents process. As a general principle, (original) documents are expected to be retained by the Entity which produces them. This is particularly important in the case of Procurement which exceeds the established thresholds, under which original documents are generated and filed by the Department of Contract.
### Indicative Documents That Must Be Retained (in hard copy/original)

1. **Project Application, Supporting Documents, Project Contract and Addenda to the Grant Agreement**

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohesion Policy Application Form submitted by the Beneficiary (during call)</td>
<td>Original/Copy</td>
<td>Copy under the operation tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feasibility Studies, CBA (where applicable), Environmental Impact Assessment &amp; other related studies including studies related to SCOs (where applicable)</td>
<td>Original/Copy</td>
<td>Copy under the operation tab 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preliminary Agreement</td>
<td>Original</td>
<td>Copy under the operation tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant Agreement</td>
<td>Original</td>
<td>Copy under the operation tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addenda to the Grant Agreement (where applicable)</td>
<td>Original</td>
<td>Copy under the operation tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official Correspondence on agreed changes to the project (such as clarification letters from/to PSC, Letter of Approval, request for addendum and approval both the justification and the approval reply)</td>
<td>Original/3</td>
<td>Copy under the operation tab</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. All documentation related to this section is to be uploaded under the operations tab on SFD by the MA.
2. The copy uploaded is to reflect the final version on which the GA calculations are based on.
3. The retention of these documents depends on the body sending the information. The sender must retain a copy of the letter/documents sent while the recipient must keep the original.
Generally changes to a project are handled by the MA, Beneficiary and the relevant Line Ministry.
### 2. General Correspondence

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any other correspondence related to the project(^4)</td>
<td>Original/Copy</td>
<td>Copy under the operation tab</td>
<td>Original/Copy</td>
<td></td>
</tr>
<tr>
<td>Delegation of Authority(^5)</td>
<td></td>
<td>Copy under the operation tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in project leadership</td>
<td></td>
<td>Copy under the operation tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Estimates (forecast)(^6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[not required]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

\(^4\) The retention of these documents depends on the body sending the information. The sender must retain a copy of the letter/documents sent while the recipient must keep the originals.

\(^5\) It is highly recommended that each office/body identified above, should have the Delegation of Authority Template duly filled in and signed. Each office should retain the original document and forward copies of the document to all offices identified above.

\(^6\) Financial forecasts are requested by the MA/stakeholders as needed for budget allocation purposes.
### 3. Payment Process

Refer to MA circular 01/2018 & 05/2018

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoices/ reimbursement requests related to all project expenditure</td>
<td></td>
<td>Copy under the payment claim tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Summary of Debit advices (prepared by Treasury)</td>
<td></td>
<td>Copy available under Treasury module</td>
<td></td>
<td>Electronic copy at Treasury</td>
</tr>
<tr>
<td>Fiscal Receipts (as applicable) or other proof of payment where fiscal receipts do not apply</td>
<td>Original</td>
<td>Copy under the payment claim tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-financing guarantee (in case of advance payments)</td>
<td></td>
<td>Copy under the payment claim tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate of works by an architect or engineer and summary of BOQ (in case of works or technical supplies)</td>
<td></td>
<td>Copy under the payment claim tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Policy</td>
<td></td>
<td>Copy under the Contract tab</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

7 Payment Process documentation is uploaded under the payment claim window on SFD.
8 01_2018 – Reimbursement request staff costs V2 & 05_2018 Documents to be uploaded on SFD.
9 The Beneficiary retains the original receipt (whether fiscal or not) in line with the applicable financial rules.
### 4. Verification Process

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the Spot Check reports including Physical Check reports conducted by the MA</td>
<td></td>
<td>A copy is to be uploaded under the verifications tab</td>
<td></td>
</tr>
</tbody>
</table>

### 5. Certification Process

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>SoE at Project Level/ PA level/ Fund including declaration</td>
<td></td>
<td>Generated through the system</td>
<td></td>
</tr>
</tbody>
</table>

### 6. Procurement (Public Procurement Regulations)\(^{10}\)

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\(^{10}\)DoC manage procurement through online epps at DoC except for the contract which BN is to retrain copy and upload a copy on SFD. With regards to the Departmental procurement BN is to retain in copy of the procurement documents.
### 7. Monitoring

<table>
<thead>
<tr>
<th></th>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast(^{11})</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Updated at operation level</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 8. Irregularities

<table>
<thead>
<tr>
<th></th>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural Funds Irregularity Report(^{12})</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proof of recovery</td>
<td></td>
<td></td>
<td>Treasury to update irregularity deposit at operation on SFD once payment is received</td>
<td>Payments to be received at Treasury</td>
</tr>
</tbody>
</table>

---

\(^{11}\) Financial forecasts are requested by the MA/ stakeholders as needed for budget allocation purposes.

\(^{12}\) A copy is retained by the Beneficiary, Line Ministry, DoC and Treasury, where applicable only, depending where and/or by whom the irregularity was committed.
### 9. Assets/Equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory for all tangible fixed assets procured through the fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Any reports/studies delivered through the project</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranties</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>uploaded under the level of procurement/ contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Copy under the Contract tab</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Copy under the Contract tab</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 10. Publicity Records

<table>
<thead>
<tr>
<th>Description</th>
<th>Beneficiary</th>
<th>SFD</th>
<th>MA</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copies of all publicity used (adverts, press releases, photos of billboards on site, photos of publicity events, leaflets, posters, CDs &amp; DVDs)</td>
<td>Original/ Copy</td>
<td>Uploaded under ‘Others’ at operation level with other horizontal items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evidence of using EU and Malta flag notify the beneficiaries and general public of the Cohesion Policy contribution</td>
<td>Original/ Copy</td>
<td>Uploaded under ‘Others’ at operation level with other horizontal items</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. TRAINING 13</td>
<td>Beneficiary</td>
<td>SFD</td>
<td>MA</td>
<td>Stakeholders</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------</td>
<td>-----</td>
<td>----</td>
<td>--------------</td>
</tr>
<tr>
<td>Call for participants</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Application Form</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acknowledgement Letter</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eligibility of groups and individuals including a signed declaration by the beneficiary and project leader</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Document report on selection of participants</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter to successful applicants</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letter to non-successful applicants</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participants’ list and details</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synthesis of the type of training offered</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training costs (details time sheets)</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Signed attendance Sheets for both teachers and participants</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feedback/Evaluation Sheets</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Documentation used to deliver training (e.g. presentation, lesson plans, handouts, etc)</td>
<td>Original/ Copy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

13 Documentation is to be retain by the BN in line with the GDPR. BN is to remain the data owner of the training.
<table>
<thead>
<tr>
<th>Description</th>
<th>Original/ Copy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outputs where applicable (e.g. studies, examination papers, etc)</td>
<td></td>
</tr>
<tr>
<td>Certificates to beneficiaries</td>
<td></td>
</tr>
<tr>
<td>Record of the support provided to each individual beneficiary</td>
<td></td>
</tr>
<tr>
<td>Teacher/trainer’s annual report (where applicable)</td>
<td></td>
</tr>
<tr>
<td>Certificates</td>
<td></td>
</tr>
</tbody>
</table>