



DWP Article 125 'On the Spot' visits to grant holders

We've recently submitted our first claims to the Managing Authority - these cover grant holder delivery in 2016 Q3 and Q4. The submission of these claims is in effect a trigger for a series of bodies that verify/audit eligible expenditure and compliance with ESF regulations:

- Article 125 verification team (Article 125) - DWP (Managing Authority)
- GIAA (Government Internal Audit Agency Article 127) - Government
- ECA (European Court of Auditors) - European Commission

The Article 125 team will be selecting their first audit samples shortly and planning their site visits to grant holders premises. During the on the spot verification visit, the team will check the supporting evidence for 15 lines of staff costs and 15 lines of direct other costs as well as reviewing several key areas outlined in the attached CFO Provider Guidance documents that you are strongly encouraged to read.

We have discussed the team's approach to failures in the sample they select and have been informed the following approach is generally used:

- A case may be treated as isolated where there is an error in a single line. There may be two errors that have different and unrelated issues, these may also be treated as isolated but will be determined on a case by case basis and these costs would be removed.
- Where there is more than one failure or multiple issues identified then a second visit will be triggered and targeted at those issues.
- If more issues are identified, there is an option for an extrapolation penalty based on failure rate or to potentially undertake a 100% check in the issue area to remove ineligible costs. It is likely if a 100% check is required this would be a joint exercise depending on the available resource.

We expect to hear from the MA mid-late September which projects have been selected, there will be a period of notice before the visits take place. Your funding officer will be in touch if you are selected and ask you to complete the CFO Provider template, the Article 125 team will also inform us which lines have been selected for their sample. This will allow a period of time for you to prepare for the visit and ensure you have all evidence to hand that will be required. The checks carried out on each transaction will be very similar to the checks RSM and your funding officers have been carrying out including evidence of defrayal. We will support you in compliance, possibly through additional RSM support.