

**ENGLAND EUROPEAN REGIONAL
DEVELOPMENT FUND OPERATIONAL
PROGRAMME 2014-20**

**GUIDANCE ON DOCUMENT RETENTION,
INCLUDING ELECTRONIC DATA EXCHANGE,
FOR 2014-20 ERDF PROJECTS**

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DOCUMENT RETENTION, INCLUDING ELECTRONIC DATA EXCHANGE FOR 2014-20 ERDF PROJECTS

Introduction

1. As stated in the ERDF Funding Agreement, ERDF grant recipients are required to provide records to evidence that the expenditure in claims complies with the relevant regulations, rules and terms of the Funding Agreement, to enable the Managing Authority to meet its reporting obligations and to demonstrate compliance with EU requirements.

2. Good record keeping is an essential project management tool. By keeping orderly and comprehensive records, grant recipients will find it far easier to assess and report on the project status and progress in monitoring the project.

3. Record retention is an important consideration in the development and delivery of a project funded by ERDF. Projects can be subject to an audit even after the project is completed and it is therefore a requirement of grant that core documents are retained and made available for inspection over the entire period. Failure to produce adequate and satisfactory evidence can result in the repayment of grant.

4. To ensure that this process is followed, all applicants are required to produce and provide as evidence, policies for specific areas including document retention. This reference can be included in current policies that the grant recipient already uses or separate policies specifically developed for the ERDF project to follow.

5. For projects delivered by a consortium of partners, it is the Grant Recipient organisation that is responsible for the audit trail. The Grant Recipient must make sure that any delivery partners or sub contractors keep adequate records. To do this, they will need to show that they have systems in place to verify the information provided and held by partners.

How long should records be kept for?

6. All projects are required to retain documents for a period after the activity has ended and these should be kept in an acceptable format so that they can be inspected where necessary. The grant recipient will be informed of this retention period at the end of the project. 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.

7. As a minimum, all documents must be retained for two years after the Audit Authority submits the Annual Control Report in which the final expenditure for the completed project is included. This should not be interpreted by grant recipients as two years after the project submits its final claim. This is to ensure documents may be made available to the European Commission and European Court of Auditors upon request in accordance with Article 140(1) of Regulation (EU) No 1303/2013.

8. There are other document retention requirements in addition to this rule:-

- Grant Recipients must comply with and assist the Managing Authority to comply with document retention requirements under any applicable State Aid rules. Where Projects are operating under a State Aid scheme in accordance with the General Block Exemption Regulation (Commission Regulation (EU) No 651/2014) or De Minimis Regulation (Commission Regulation (EU) No 1407/2013), Grant Recipients must maintain detailed records with the information and supporting documentation necessary to establish that all the conditions laid down in the Regulation are fulfilled. Such records must be kept for 10 years after the last aid is granted under the scheme. For ERDF Projects, the last aid may not be granted under a scheme until 2023 meaning that documents will need to be retained until 2033.
- Grant Recipients will also need to retain documents to evidence compliance with the EU Regulations governing ERDF Funding. In particular, revenue generating projects covered by Article 61 of Regulation (EU) No 1303/2013 may have to retain documents for a longer period, which will vary depending on the nature of the project, to enable the revenue to be calculated. See the Guidance on Revenue Generating Projects on the DCLG website.
- Where applicable, Grant Recipients will also need to retain documents to demonstrate compliance with Article 71(1) of Regulation (EU) No 1303/2013. This sets out the conditions applying to any project which involves investment in infrastructure or 'productive investment' and under its terms all (or a proportion of) the funding must be paid back if (subject to exceptions):
 - within 5 years, or for Projects concerning the maintenance of capital ("infrastructure) or jobs created by small and medium sized enterprises, within 3 years (or the relevant period set out in State Aid rules, where applicable) any of the following applies:
 - the production stops or is relocated outside the programme area;
 - ownership of the infrastructure (building/capital investment) is changed, giving a firm/public body an undue advantage;
 - there is a substantial change in the project affecting its nature, objectives or implementation conditions which has the effect of undermining its original objectives.
 - In addition, Article 71(2) sets out the circumstances in which funding is to be paid back where productive activity is relocated outside the EU.
 - Grant recipients will also need to be able to provide evidence that they

have complied with their obligations under the ERDF Funding Agreement. In particular, where funding is provided for fixed assets such as land, buildings, plants and machinery or other assets treated as major assets in the Funding Agreement, grant recipients will need to be able to provide evidence that these assets have continued to be used for their approved use and have been retained for an agreed period i.e. for no aid projects this is five years from the final payment to the beneficiary or 3 years in cases concerning the maintenance of investments or jobs created by SMEs. Where the ERDF contribution takes the form of State Aid, the period shall be replaced by the deadline applicable under the State Aid rules. Accountancy rules, or rules relating to sources of match funding may also have longer periods, so the documentation retention policy for the project will need to take account of these points.

9. Prior to the destruction of any documents, confirmation should be sought from the Managing Authority.

What should records show?

10. Core documentation must include:

- all ERDF related documentation including work carried out during the development, pre application, application and during and after the project;
- the Funding Agreement including any revised versions supported by appropriate correspondence from DCLG of the approval of changes to the Funding Agreement;
- correspondence from/to DCLG;
- quarterly or monthly claim forms;
- working papers showing how claims were calculated, including any flat rate methodologies;
- the audit trail for all procurement undertaken for the project;
- the State Aid approved scheme used where relevant; and
- an asset register.

11. You must keep records of the following things although this list is not exhaustive. Grant recipients should keep all documentation relating to ERDF projects:

- evidence of all project expenditure. This must include invoices and bank statements or equivalent to show the payments were made.
- where indirect overheads costs and salaries have been apportioned to the project, records must show the agreed methodology for calculating these costs.

- records of eligible beneficiaries and the steps taken to discern their eligibility, including proof that an organisation qualifies as an SME.
- evidence of open and fair procurement of goods and services. Including proof of advertising and contract notices, quotations or tenders received and the scoring methodology used for selecting the successful candidate. This will include details of all preparatory work prior to the procurement process and the delivery/use of the procured service and goods. See The National Procurement Guidance on <https://www.gov.uk/england-2014-to-2020-european-structural-and-investment-funds> for further information on procurement requirements.
- evidence of auditable, accountable match funding, including copies of match funding acceptance letters and bank statements showing receipt of match funding
- compliance with publicity requirements. Copies of all publicity materials, including press releases and marketing must be retained to demonstrate the correct use of the EU logo and required text. See ERDF Publicity Requirements, also on the above website, for further information on publicity requirements.
- compliance with equal opportunities and environmental sustainability requirements.
- clear records of businesses supported for state aid purposes, including signed SME declarations and that they are operating under any state aid rules, such as de minimis, or any other state aid ruling. See the website below for guidance on ERDF State Aid Law Requirements and more basic guidance on State Aid.
- documentary evidence substantiating the outputs and results declared in ERDF claims and on completion of projects. This could include, for example, evidence of the types of assistance provided, and evidence of jobs created or safeguarded as a result of this assistance. Guidance on output definitions is on the DCLG website.

Special requirements apply to financial engineering.

Electronic data exchange - legislative requirements

12. Article 122(3) of Regulation (EU) No 1303/2013 requires Member States to ensure that no later than 31 December 2015, all exchanges of information between grant recipients and the Managing Authority, Certifying Authority, Audit Authority and Intermediate Bodies can be carried out by means of electronic data exchange systems.

13. The systems should facilitate interoperability with national and EU frameworks and allow the beneficiaries to submit all the information referred to in paragraph 13

only once.

14. Commission Implementing Regulation (EU) No 1011/2014, Chapter II sets out the detailed rules concerning the electronic exchanges of Information between beneficiaries and Managing Authorities, CAs, AAs and Intermediate Bodies.

15. Article 8 of the Regulation defines electronic data exchange systems as mechanisms and instruments allowing the electronic exchange of documents and data, including audio-visual media supports, scanned documents and electronic files. This exchange shall include reporting on progress, payment claims and exchanges of information related to management verifications and audits. Paper documents may only be requested by the MA, CA or AA in exceptional cases, following a risk analysis, and only if paper documents are the true source of the scanned documents uploaded in the electronic data exchange system.

16. The electronic data exchange systems must have at least the following functionalities:-

- interactive forms and/or forms prefilled by the system on the basis of the data which are stored at consecutive steps of the procedures
- automatic calculations where applicable
- automatic embedded controls which reduce repeated exchanges of documents or information as far as possible
- system-generated alerts to inform the beneficiary that certain actions can be performed
- online status tracking allowing the beneficiary to monitor the current status of the project
- availability of all previous data and documents processed by the electronic data exchange system.

Acceptable forms of documentation

17. Electronic document storage systems are therefore acceptable, indeed necessary, as most documents now are electronically generated and have no paper original and will need to be made available through the electronic data exchange system. They are acceptable as audit evidence, provided that they are subject at all times to an adequate system of control over their completeness and validity. These systems of control may be subject to audit so that assurances can be obtained in this respect.

18. Documents can be held either as originals or certified true copies of the originals, or on commonly accepted data carriers. Commonly accepted data carriers include:

- electronic versions of original documents on optical data carriers and

documents existing in electronic version only.

19. Grant Recipients should ensure that information kept on commonly accepted data carriers is kept secure and can be relied upon for audit purposes. As most documents exist in electronic version only, the underlying computer system on which the electronic versions are held must meet accepted security standards which ensure that the documents held meet with national legal requirements and can be relied upon for audit purposes. All electronic documents also need to have the equipment/software retained, to ensure it is functional for a two year period from 31st December following the submission of the annual accounts in which the final expenditure of the completed project is included. .

20. Each version must be certified as conforming to the original document. A declaration by the grant recipient along the lines of the example below will satisfy this condition.

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

Signed

Date

Position in organisation

Name of organisation

21. This is the minimum requirement and grant recipients may add to this declaration or include additional procedures in line with their organisations policies should they wish to do so.

22. This minimum certification procedure places the onus on the grant recipient for ensuring the authenticity of the electronic copy. It is the grant recipient's responsibility to ensure the document can be retrieved and relied upon for audit purposes.

23. In instances where the grant recipient organisation is using an electronic Document Management System which involves the scanning of invoices and other documentation at the point of receipt, it is acceptable for the processes outlined above to be undertaken at the initial point of scanning by either the grant recipient or a third party acting on behalf of the organisation provided that the applicant organisation is satisfied with the procedures in place at the 3rd party organisation.

24. All electronic documents must be kept for the same duration as required for paper copies.

25. Exchanges of data and transactions should bear an electronic signature compatible with Directive 1999/93/EC on a community framework for electronic signatures. This will be provided by the DCLG electronic data exchange system.