

Low Carbon Challenge Fund

Supporting innovation in SMEs to unlock opportunities of
the Climate Emergency

Audit, Publicity & Compliance Guidance

June 2020



EUROPE & SCOTLAND
European Regional Development Fund
Investing in a Smart, Sustainable and Inclusive Future

Important Information

The 2014-2020 European Regional Development Fund (ERDF) Programme is structured around specific themes known as Strategic Interventions, administered by Lead Partners. On behalf of Scottish Government, Scottish Enterprise is the Lead Partner for the Innovation Challenge Fund's Strategic Intervention and the mechanism for delivery is the Scottish Programme for Research, Innovation and Technology Eco-System (SPRITE). The overall aim of SPRITE is to improve the innovation performance of Scotland's Small and Medium-sized Enterprises (SMEs) and stimulate greater coordination between stakeholders and partner organisations to help businesses capitalise on new economic and public-sector innovation opportunities. Programme activities will focus on competitive Challenge Funds and procurement of Cluster-Building Services.

The Low Carbon Challenge Fund (LCCF) is one of the competitive Challenge Funds being delivered through SPRITE and ERDF funding will be distributed, on a competitive basis, to projects delivered in Scotland. The eligibility criteria, guidance and application process will be reviewed periodically and, therefore, may be subject to change. The Applicant should make sure that they refer to the most up to date guidance at the time of application. This guidance is available at www.scottish-enterprise.com/LCCF.

The LCCF can contribute up to 50% of the eligible costs of each project delivered in the Lowland & Upland Scotland area (LUPs).

The balance of funding required to deliver the project (usually referred to as match funding) must be found by Applicants from other sources, which must NOT include any other EU funding. Match funding must be in the form of a direct cash contribution and/or expenditure incurred e.g. actual costs for the procurement of capital equipment and/or direct staff costs. Match funding cannot be linked to the achievement of outputs for other projects and activities.

Funding decisions will be based on factors including, but not limited to, (i) the availability of ERDF funding, (ii) how well the project matches the LCCF priorities, (iii) the project's contribution to LCCF outcomes and (iv) our assessment of deliverability against the European Structural Investment Fund (ESIF) [National Rules on Eligibility of Expenditure](#) (referred to as National Rules) and LCCF timescales. Scottish Enterprise reserves the right not to award any support at all under this programme.

The rules governing the ERDF programme are set out within the [ESIF National Rules](#), [State Aid Guidance](#), [State Aid Rules](#) and [Publicity Requirements](#). The European Union (EU) and the Scottish Government reserve the right to amend these National Rules.

Please note that all links within this guidance document are considered accurate as at the date of publication but that we take no responsibility for the accuracy or compliance of third party links.

Please refer to the statement in the LCCF Guidance for Applicants regarding how the information (including personal data) provided by you in relation to the LCCF will be used.

Version Control

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About this document

This document provides an overview of the audit & compliance requirements to be adhered to by Grant Recipients of the LCCF.

This document is one of four documents that form a suite of guidance available to Grant Recipients. The full suite can be downloaded from www.scottish-enterprise.com/LCCF.

- **Audit, publicity and compliance guidance (this document)**
- **Claims process and reporting requirements**
- **LCCF Guidance for Applicants**
- **Monitoring Template guidance (available at Stage 2: Full Project Application)**

For further information please visit www.scottish-enterprise.com/LCCF or contact the LCCF project team at LCCF@scotent.co.uk.

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1 Purpose

This document sets out to provide LCCF Grant Recipients with the guidance needed to ensure that all projects are run in accordance with European Regional Development Fund (ERDF) regulations.

In addition to outlining the audit requirements, this guidance provides information and assistance regarding the management and administration requirements for an ERDF Funded project and how to:

- Implement good practice
- Set up systems and processes which are easy to use
- Keep a close eye on how the project is delivering
- Ensure that the project is managed proactively, and issues are addressed

Audit, compliance and monitoring will be carried out by Scottish Enterprise to ensure the projects are progressing as set out in the Grant Agreement and that the LCCF can evidence achievement of its target outcomes and compliance with the relevant European Regional Development Fund (ERDF) [National Rules on Eligibility of Expenditure](#) (referred to as National Rules).

2 Administration and Management

It is a requirement that the project has management and delivery personnel structures in place and that organisation charts and job descriptions clearly show a person's role and responsibilities within the project.

The project must have systems in place to assist delivery of the project and should include: minutes of meetings held relating to the project, monitoring reports, databases etc. It is essential that all Grant Recipients are fully aware that they are subject to and must follow all the terms set out in the Grant Agreement and the National Rules.

2.1 Administration and Management Compliance Checklist

Scottish Enterprise recommend that the following checklist is completed by Grant Recipients and retained within their project file for audit purposes. Grant recipients are responsible for administering and managing their project and retaining all evidence as set out in this document and the National Rules.

Check	Yes/No	Type of evidence	Comments
Can we evidence that the Project specification is per the Grant Agreement?		Tender Documents if applicable Project Plan	
Can we evidence that adequate management structures and key delivery personnel are in place?		Organisation Chart Job Descriptions HR records Minutes of Meetings	
Can we evidence that processes / procedures are in place to ensure retention of Project documentation in a retrievable format until at least the end of 2027?		Data Retention Policy Information Guidance Filing Systems	

Can we evidence that we are aware of our obligations in relation to European / National Statutory Requirements on: Equal Opportunities, Fair Employment, Health & Safety, GDPR?		Policy Documents Data Protection Impact Assessment	
Can we evidence our role as a Grant Recipient?		Signed Grant Agreement	

3 Financial Systems and Records

The project should maintain accounting records that allow easy identification of the project and any grant income and expenditure to the project. The project should have as a minimum, a separate cost centre or cost code. The project should have an organised system for filing original numbered invoices and receipts which can be easily retrievable and specific to the project.

There should be a clear segregation of duties relating to the appropriate authorisations for bank accounts and delegated duties, who checks, and signs claims, and who monitors and controls project expenditure. The project should ensure that there is a computerised system for managing the project finances. The project should produce clear and articulate financial reports/claims.

3.1 Financial Systems Compliance Checklist

Scottish Enterprise recommend that the following checklist should be completed by the Grant Recipient and retained within their project file for audit purposes. Grant recipients are responsible for managing their financial systems relating to the project and retaining all evidence as set out in this document and the National Rules.

Check – is there documentation demonstrating:	Yes/No	Type of evidence	Comments
That the project's financial procedures are adequate?		Written policy documents / financial procedures	
That there is proper segregation of duties?		Authorisation Limits	
That there are arrangements to monitor and control project expenditure?		Evidence that procedures / processes have been followed	
That it is clearly communicated who checks and signs claims?		Financial Reports	
That there is an adequate accounting system in place?		Reconciled claim forms	

3.2 Asset Register

For all fixed assets and any other assets with a value over £2,500 which have been either bought or built using the ERDF funding, the project must set up and maintain an inventory, which includes, for each asset, the following:

- The date of purchase
- Description of the asset
- The price paid net of recoverable VAT
- Amount of ERDF grant paid
- Location of the asset and the title deeds (if applicable)
- Serial or identification numbers
- The name and address of any person to whom a disposal is made (consent is required in relation to any disposal other than a disposal which was planned for and formed part of the original application)
- Date of disposal
- The depreciation method agreed at the contract stage
- The date and proceeds (net of VAT) of any disposal

Assets must be retained for 5 years after project completion. Assets must not be used for any other purpose than that identified in the Grant Agreement. Grant Recipients cannot dispose of the asset without Scottish Enterprise's permission.

The project is not permitted to use any asset for any purpose other than its approved use throughout its useful economic life. If the project does wish to change its use, or stop using it altogether, it must get prior written consent from Scottish Enterprise which may be subject to conditions including repayment of grant. When requesting changes to the use of an asset Grant Recipients should explain how this will not prevent the project achieving the agreed objectives.

4 Procurement

Information regarding procurement can be found in the [National Rules](#), Section 1.8.

Grant Recipients must ensure they comply with the requirements of ERDF funding, meeting the European Union Directives, Scottish public-sector legislation and the regulatory framework, and any internal procedures and policy regarding procurement in force at the time of tender. Grant Recipients are required to follow procurement principles (Open or Restricted tender or suitable Framework Agreement) for all elements of the work including the provision of works, materials and/or services.

Procured contracts below the EU thresholds must ensure that they are advertised, fairly and equally treated, and transparent. Anything below EU threshold and above £50K must be procured in line with Scottish Government Procurement Regulations 2016 and advertised via Public Contracts Scotland.

Using another public body to do the work is acceptable as long as the competition to award any work to such body was held in a fair and open manner. Likewise, delivery of elements by the Grant Recipient is acceptable if all work is tendered in a fair and open manner using fully costed market rates. However, please note that only eligible costs can be claimed.

Therefore, it must be certified and evidenced that they do not include any on-costs (overheads e.g. pension contributions, tax etc.) or charge out external rates (e.g. interest rates) as these are not eligible under the National Rules.

Please refer to the Scottish Government websites for further guidance:

- [The National Rules, Section 1.8](#)
- [Public Procurement Guidance for Practitioners](#)
- [Public Sector Procurement in Scotland](#)
- [Procurement Journey](#)

Please note that if the tender process is electronic, there must be someone available at audit to show all the relevant parts of the process and documentation.

4.1 Procurement Register

We recommend that Grant Recipients use the following form to record evidence of procurement processes. For further information on requirements relating to procurement see Section 1.8 of the National Rules. Please note Grant Recipients are responsible for managing the procurement process for the project and retaining all evidence as set out in this document and the National Rules.

	Contracts	Contract 1	Contract 2
1	Grant Recipient organisation's Procurement instructions/Standing orders at time of contract.		
2	Estimated Value of Contract.		
3	Evidence of how the contract was advertised, e.g. OJEU advert, national press etc.		
4	Record of responses to the OJEU / National advert requesting the tender documents (in an open procedure) or expressing interest (in a restricted procedure).		
5	Pre-Qualification Questionnaires (PQQ) or Expressions of Interest received (Restricted Procedure).		
6	PQQ scoring documents, including selection criteria, scoring matrix and evaluation report.		
7	Details of the PQQ Evaluation Committee.		
8	Notifications to unsuccessful companies.		
9	Notifications to successful companies.		
10	Copies of instructions and details of Award Criteria issued to those invited to tender.		
11	Details of those invited to tender, if different from 8 above.		

12	Details of any requests for information received and responses issued.		
13	If an information meeting was held Grant Recipients should provide details of who was invited/attended and any additional information that was provided.		
14	A record of the tender opening procedure.		
15	Details of the Tender Evaluation Committee.		
16	Tender evaluation report.		
17	Tender documents (can be known as Bill of Quantities).		
18	The contracts drawn-up between the final beneficiary and contractor.		
19	Agreed Contract Price.		
20	Any complaints or appeals (at the Award Stage).		
21	A copy of the published Award Notice.		
22	Notification to successful bidder.		
23	Notification to unsuccessful bidders.		
24	Evidence of any variations and modifications to the Contract, if relevant.		

4.2 Non-compliance

If the Grant Recipient has submitted any costs which are subsequently identified as non-compliant through verification or audit processes, SE will claw-back all relevant ineligible costs from the Grant Recipient.

5 Document Retention

An essential requirement of ERDF funding is keeping correct and up to date project records. It is the responsibility of any organisation receiving funding through the LCCF to ensure compliance with [Document Retention Guidance](#).

Failure to demonstrate that there is accurate evidence of the project, its outputs and activities may result in the project having to repay part of, or the entire, grant. Final responsibility for this rests with the Grant Recipient, who must ensure that any project partners and sub-contractors also comply with these rules. There should be a document retention policy clearly stating how and for how long the project will store ERDF documentation in line with the relevant eligibility criteria outlined in this guidance and also the Guidance for Applicants.

The project must keep original copies of all documents / invoices which show a complete audit trail for every aspect of the project, from application, staff recruitment and marketing, to outputs, finances and evaluations.

For LCCF all key documents must be retained until, at least, the end of 2027. Failure to do so risks ERDF grant funding being withdrawn.

Below is a list of records the project must keep – this list is not exhaustive, and the project will be expected to retain any other evidence relating to the project:

- The original application forms and all correspondence from contract negotiations
- The signed Grant Agreement
- Tenders, contracts and procurement documentation
- Records of any project income
- Reports relating to the project, and minutes of meetings where the project was discussed
- Documentation relating to any changes made to the project during delivery, including variation to or revised Grant Agreements
- Staff costs (including job descriptions, timesheets, payroll records, contracts, etc.)
- Receipts and invoices
- Recruitment evidence
- Evidence of auditable, accountable match funding
- Evidence of expenditure, including proof that funds left the project bank account within the correct period
- Records of beneficiaries and the steps taken to ensure their eligibility
- Compliance with equal opportunities and environmental sustainability requirements
- Proof of performance indicators delivered – how, where, when, who etc.
- Publicity materials, including photos of billboards for future reference – with the ERDF logo
- Details of partnerships, including service level agreements
- The project’s state aid notification, where applicable
- Annual reports and project evaluations
- Details of monitoring procedures

5.1 Project Files

The following table sets out a recommended format for how the project could structure its project files. This will ensure that all records are easily retrievable during an audit. Please note Grant Recipients are responsible for managing the structure of their project and retaining all evidence as set out in this document and the National Rules.

Management & administration	
<p>Project Activity: Application forms Grant Agreement and revised offer Agreements (if appropriate) Project work plans Evidence of recruitment process (if applicable)</p>	<p>Management structure: Organisation chart (highlighting project personnel) Job descriptions (all those involved in the project) HR records</p>

Policy documents: Equal opportunities & fair employment Environmental Sustainability Health & Safety GDPR Document retention	
Financial	
Finance reporting: Policies & procedures Authorisation limits Financial reports VAT registration details Evidence of cost centres / cost codes Original invoices & receipts	Payroll records A copy of pay slips (if possible/appropriate) Timesheet completion Retention BACS/Bank statements* *Originals wherever possible or copies signed as copy of the original
Equipment/Machinery etc.: Asset register Invoices (originals) Receipts (originals)	
Project Compliance	
Publicity: All press cuttings/articles/brochures/flyers relating to the project Hard copies/pictures of all marketing/publicity materials	Project summary: Project review Activities report Deliverables/outputs report Achievements
Procurement: Procurement policy Tenders Quotes OJEU notices	State aid: Justification against four State aid tests

6 Data and Information Management

To ensure compliance and retention of all appropriate project records, Grant Recipients should retain a data management policy for the project. The purpose of this Data Management Policy is to ensure that the Grant Recipient organisation:

- Meets legal requirements in terms of data & information management (European and Scottish regulations); and
- Has appropriate management and control systems in place.

6.1 Media Management

6.1.1 User Rights

Grant Recipients must give Scottish Enterprise the right to use the press releases, photographs, transparencies or digital images, including any video images provided. Grant Recipients must get any permissions, including copyright, needed for these images to be used, including the consent of any persons appearing in them where applicable, before sending them to Scottish Enterprise or before they are to be used.

Scottish Enterprise needs to be informed about press releases ahead of time and given the opportunity to include information about the LCCF and a quote from Scottish Enterprise, where possible. All communications and publicity materials relating to the project should acknowledge the support of the ERDF and display the ERDF logo and/or display the following boilerplate: “*The [insert project name] project is part-funded by the 2014–2020 European Structural and Investment Fund*”.

The Grant Recipient must ensure they adhere to the [ESIF 2014-2020 Publicity Requirements](#) for all communications and publicity materials.

6.1.2 [Disposal](#)

Appropriate disposal of all files held by Scottish Enterprise will take place at the end of the retention period in accordance with the British Standard for Information Security, ISO27001. This will only be changed if the EU or the Scottish Government publishes further requirements that specify files to be held for a longer period, at which time the retention period will need to be reset.

6.1.3 [Digital Continuity](#)

Grant Recipients need to assure us of ‘digital continuity’ to ensure that the data and information they store as part of the Project and grant is maintained and accessible for the auditable life of the programme and not compromised by technological obsolescence. Portable devices (DVDs, CDs, USB-drives, etc.) must not be used for permanent data storage.

6.1.4 [Freedom of Information](#)

Scottish Enterprise handles requests for information under the Freedom of Information (Scotland) Act 2002 (FOISA).

Under the access to information legislation FOISA, any person has a right of access to Scottish Enterprise's information. We have an obligation to provide information on request unless the legislation gives us a reason to withhold it.

6.1.5 [Data Protection](#)

Any personal data provided in the application will be processed by Scottish Enterprise in accordance with Data Protection Laws and held in accordance with Scottish Enterprise's privacy notice, which can be found at <https://www.scottish-enterprise.com/help/privacy-notice>. Individuals can also use this link to find information on their rights in respect of the personal data we hold.

The information provided in the application forms may be shared and used by Scottish Enterprise, The Scottish Government and other associated bodies such as; local delivery organisations, consultants and agents collectively referred to as ‘the Agencies’, to assess suitability for support. If the application is successful, the Agencies will use the information provided in the application form for administration and management purposes, including carrying out appropriate checks and audits. Some information may also be passed to independent auditors, the European Commission or its agents for administrative purposes.

The transfer of personal data between the Applicant and Scottish Enterprise is on a Controller to Controller basis. Scottish Enterprise and the Applicant shall each comply with their respective obligations under Data Protection Laws. The Applicant will be responsible for ensuring that all collaborative partners (if applicable) ensure that relevant staff are provided with appropriate privacy notices informing them that their employment information may be shared.

Where the Applicant discloses personal data to Scottish Enterprise in relation to this application, such disclosure must be fair, transparent and lawful and not contravene Data Protection Laws.

Applicants should note that the rules governing the ERDF Programme require the provision of personal data to evidence staff costs and meet the eligibility criteria for a claim. Applicants should consider the eligibility criteria set out in the [National Rules](#) when applying for funding.

6.1.6 Commercial in Confidence

This is a classification that identifies information that, if disclosed, may result in damage to a party's commercial interests, intellectual property or trade secrets. Scottish Enterprise has an obligation under Freedom of Information (FOI) to disclose information therefore the Grant Recipient must inform Scottish Enterprise should they consider any information as Commercial in Confidence so that we can take this into consideration if we receive a request under FOI Act 2002. If Grant Recipients consider that any of the information supplied to Scottish Enterprise is commercially confidential, please confirm that the particular sections have been identified by marking them as Commercial in Confidence.