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Low Carbon Travel & Transport Challenge Fund

6. Audit and compliance guidance

Round 3



European Union



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

Disclaimer

Applicants should be aware that as the Low Carbon Travel and Transport Challenge Fund (LCTT Challenge Fund) is a developing programme, the guidance will be reviewed as the programme evolves and therefore may be subject to change. The European Union and Scottish Ministers reserve the right to amend the ESIF National Rules on Eligibility of Expenditure (hereinafter National Rules), and Transport Scotland reserves the right to amend the published guidance during the period of the programme.

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Background

Transport Scotland has been awarded funding under the European Regional Development Fund (ERDF) 2014-2020 Programme to deliver a Low Carbon Travel and Transport (LCTT) Programme.

As part of the ERDF programme, Transport Scotland has committed to running a LCTT Challenge Fund and has appointed Energy Saving Trust to deliver this.

About this document

This document provides an overview of the audit and compliance requirements to be adhered to by Grantees of the LCTT Challenge Fund.

This document is one of four documents that form a suite of guidance available to Grantees. The full suite can be downloaded from [the Energy Saving Trust website](#).

- 6. Audit and compliance guidance – Round 3 (*this document*)**
- 7. Communications and publicity guidance – Round 3**
- 8. Claims process and reporting requirements – Round 3**
- 9. Evaluation guidance – Round 3**

For any questions please contact the Energy Saving Trust LCTT Challenge Fund project team: LCTT@est.org.uk / 0131 555 8691.

CONTENTS

1	Purpose	4
2	Administration and management	5
	2.1 Administration and management compliance checklist.....	5
3	Financial systems and records	6
	3.1 Financial systems compliance checklist.....	6
	3.2 Asset register.....	6
4	Procurement	8
	4.1 Procurement register.....	8
	4.2 Non compliance.....	
	Error! Bookmark not defined.	
5	Document retention	13
	5.1 Project files.....	14
6	Data and information management	16
	6.1 Managing data.....	16
	6.2 Managing different data types.....	18

1 Purpose

This document sets out to provide Low Carbon Travel and Transport (LCTT) Challenge Fund Grantees with the guidance needed to ensure that all LCTT Challenge Fund projects are run in accordance with European Regional Development Fund (ERDF) regulations.

In addition to outlining the audit requirements for the LCTT Challenge Fund, this guidance provides information and assistance regarding the management and administration requirements for an ERDF Fund and considers how to:

- Implement good practice
- Set up systems and processes which are easy to use
- Monitoring project delivery
- Ensure that the Project is managed proactively and issues are addressed

Audit, compliance and monitoring will be carried out to ensure the projects are progressing as they should be and that the LCTT Challenge Fund achieves its target outcomes in a compliant manner.

This will allow Grantees to:

- Assess performance and progress
- Maintain financial performance using budgets and reforecasts as the primary controls
- Identify strengths and weaknesses of delivery and implement corrective action
- Compile monthly update reports
- Compile quarterly progress reports
- Consider lessons learned
- Demonstrate good governance
- Monitor performance using performance indicators
- Identify changes through proactive management
- Set out clear roles & responsibilities
- Enable effective communication with Energy Saving Trust.
- Ensure continual compliance with ERDF Rules and Regulations to minimise disallowance or de-commitment risk
- Effective identification and management of risk

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 involvement with an ERDF 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 delivery partners are fully aware that they are subject to and must follow all the terms set out in the Grant Offer Letter and the European Commission rules and regulations relating to ERDF funds.

2.1 Administration and management compliance checklist

The following checklist should be completed and retained.

Check	Yes/No	Type of evidence	Comments
Can we evidence that the Project specification is per the Grant Offer Letter?		Tender Documents / Certificates/reports/survey findings	
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 2027?		Data & 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?		Policy Documents	
Can we evidence that we have insurance to cover the Project such as: Employers' Liability, Public Liability, Buildings & Contents?		Valid Insurance Policy Documents	
Can we evidence our role as a Grantee?		Signed Grant Offer Letter	

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. Where possible the project should have a separate bank account from the parent organisation or as a minimum, separate cost centres or cost codes should be used for each project. The project should have an organised system for filing original numbered invoices and receipts which can be easily retrievable and preferably 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 either: a simple cash book system, a manual double entry system, or computerised system for managing the project finances. The project should also produce regular meaningful financial reports.

3.1 Financial systems compliance checklist

The following checklist should be completed and retained.

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 appropriate authorisations in place for bank accounts and delegated actions?		Process Notes. Evidence that procedures / processes have been followed.	
That there are processes for appropriate cash management - reconciliations, petty cash system?		Management Accounts. Financial Reports.	
That there are arrangements to monitor and control project expenditure?			
That it is clear and communicated who checks and signs claims?			
That there is an adequate accounting system in place?			

3.2 Asset register

For all fixed assets and any other assets with a value over £2,500 which have been either bought, built or improved using ERDF grant, 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 Offer Letter. Grantees cannot dispose of the asset without Transport Scotland's permission.

The project is not normally 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 Transport Scotland which may be subject to conditions including repayment of grant. When requesting any changes to the use of an asset Grantees should include an explanation on 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.

Grantees 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. Grantees 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 adhere to the principles of the Treaty of Rome, ensuring that they are advertised and are fairly and equally treated.

Using another public body to do the work is acceptable as long as the competition was held in a fair and open manner. Likewise, delivery of elements by the Grantee is acceptable as long as all work is tendered in a fair and open manner using fully costed market rates. However, please note that only real costs are eligible, as per section 4.1.3 “Public Administration Expenditure Relating to the Execution of Projects” of the [National Rules](#). Therefore, it must be certified and evidenced that they do not include any on-costs or charge out external rates as these are not eligible under the ERDF regulations. Internal “invoices” or charges cannot be accepted as sufficient evidence for LCTT Challenge Fund claim purposes. Please refer to the Scottish Government websites for further guidance:

- Public Procurement Guidance for Practitioners

<http://www.gov.scot/Topics/Business-Industry/support/17404/EuropeanStructuralFunds/ProgrammeDocumentation/Publicprocurementguidance>

- Public Sector Procurement in Scotland

<http://www.gov.scot/Topics/Government/Procurement>

- Procurement Journey

<https://www.procurementjourney.scot/>

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.

LCTT Challenge Fund Procurement Checklist

If a procurement procedure has been carried out under national law, we will require the following documentation to demonstrate that the procedure was carried out in compliance with the national requirements.

The purpose of this form is to ensure all relevant documentation has been provided, however it is not exhaustive. You should ensure that all supporting documentation in support of the process followed is provided for examination. Please tick the evidence gathered to aid the checking process. Also provide a narrative of the process and decision making. If a section is not appropriate or the documentation has been supplied please insert a comment on this.

Documentation / Evidence Required	Provided? (P/X)	Comments
Planning		
Your organisation's Procurement instructions/Standing orders at time of contract		
Estimated Value of Contract		
Advertising		
Evidence of how the contract was advertised, e.g. OJEU advert, PCS advert, national press etc.		
Expression of Interest received.		
Details of any requests for information received and responses issued.		
If an information meeting was held Grantees should provide details of who was invited/attended and any additional information that was provided.		
Tendering		
Invitation to Tender (ITT).		
Evidence of issue of ITT to at least 5 potential suppliers (3 suppliers if the contract under the threshold as stated in your organisations procurement policy)		
Details of those invited to tender		

Tender Responses (to include pricing schedule).		
Details of the Tender Evaluation Committee. What is the process to identify conflicts of interest? Provide details of any potential or apparent cases of conflict of interest and how these were addressed? Include conflict of interest declarations.		
Tender Evaluation Scoring Matrix. (Tender scoring information, including all scoring sheets and full details of how individual and amalgamated scores were arrived at.)		
Interviews. If taken place please provide full details including justification of holding interviews questions and answers.		
Formal Tender Evaluation Report (see additional evidence: 1)		
Tender documents (can be known as Bill of Quantities) for the successful tenderer		
Award & Implementation		
Notifications to unsuccessful companies.		
Notifications to successful companies.		
The contracts drawn-up between the final beneficiary and contractor.		
Agreed Contract Price.		
A copy of the published Award Notice.		
Evidence of any variations and modifications to the Contract, if relevant.		
Claim		
Invoice		
Evidence to confirm delivery of the activity detailed on the invoice (see additional evidence: 2)		
Proof of payment: BACS & bank statement		

Additional information

1 Regulation 83 of The Public Contracts (Scotland) Regulations 2015 reporting and documentation requirements (refer to previous regulations for what is required prior to April 2016) :

(1) Subject to paragraph (2), every contract or framework agreement covered by this Part, and every time a dynamic purchasing system is established, a contracting authority must draw up a written report which must include-

(a) the name and address of the contracting authority, the subject-matter and value of the contract, framework agreement or dynamic purchasing system;

(b) where applicable, the results of the qualitative selection and reduction of numbers pursuant to regulations 66 (reduction of the number of otherwise qualified candidates to be invited to participate) and 67 (contract award criteria), namely-

(i) the names of the selected candidates or tenderers and the reasons for their selection: and

(ii) the names of the candidates or tenderers rejected and the reasons for their rejection:

(c) the reasons for the rejection of any tenders found to be abnormally low;

(d) the name of the successful tenderer and the reasons why its tender was selected;

(e) where known by the contracting authority-

(i) the share (if any) of the contract or framework agreement with the successful tenderer intends to subcontract to third parties; and

(ii) the names of the main contractor's subcontractors (if any);

(f) for competitive procedures with negotiation and competitive dialogues, the circumstances as laid down in regulation 27 (choice of procedures) which justify the use of those procedures;

(g) for negotiated procedures without prior publication, the circumstances referred to in regulation 33 (use of negotiated procedure without prior publication) which justify the use of the procedure;

(h) where applicable, the reasons why the contracting authority has decided not to award a contract or framework agreement or to establish a dynamic purchasing system;

(i) where applicable, the reasons why means of communication other than electronic means have been used for the submission of tenders; and

(j) where applicable, conflicts of interests detected and subsequent measures taken.

2 Examples:

- If the invoice relates to preparation of a report, you would obtain a copy of the report.
- If the invoice is for an event then we would need evidence that it took place e.g. list of attendees, or

marketing for the event should be provided, or copy of presentation.

- If the invoice is for Marketing costs a copy of the applicable material should be provided.
- If the invoice relates to a works contract e.g. Construction – the invoice should always be accompanied by a signed work certificate (signed by an accredited body) This certificate will confirm which works have taken place and the associated costs.
- If the invoice relates to staff then a copy of contract letter/job description confirming their role on Operation should be provided.

5 Document retention

An essential requirement of European funding is keeping correct and up to date project records. It is the responsibility of any organisation receiving funding through the LCTT Challenge Fund to ensure compliance with the [European Structural and Investment Funds, 2014-2020 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 or the entire grant. Final responsibility for this rests with the organisation named on the Grant Offer Letter, 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.

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.

We would expect that all key documents be retained until at least 2027. Failure to do so risks 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 Offer Letter
- Tenders, contracts and procurement documentation
- Planning consents, where applicable
- 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 Offer Letter
- Staff costs (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
- Auditors' statements

- 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.

Management & administration	
Project Activity: Application forms Offer letter and revised offer letters (if appropriate) Project work plans Evidence of recruitment process (if applicable)	Management structure: Organisation chart (highlighting project personnel) Job descriptions (all those involved in the project) HR records
Policy documents: Equal opportunities Fair employment Health & Safety Document retention (detailing how and for how long project files will be kept)	Valid insurance certificates: Employers' liability* Public liability* Buildings & contents* *Originals wherever possible or copies signed as copy of the original
Financial	
Finance reporting: Policies & procedures Authorisation limits Management accounts 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* Management accounts *Originals wherever possible or copies signed as copy of the original
Equipment/Machinery etc: Asset register Invoices / Receipts (originals)	Land Acquisition: Land valuations Receipts for land on accounts summary
Beneficiary records: Beneficiary feedback / evaluation forms Monitoring spreadsheets MI / Activity reports Survey reports Before & after photographs for environmental enhancements, land serviced	Site Preparation/building/construction: Tender reports from project QS Valuations from contractor QS Payment records Contractor tipping notes (if appropriate) Bill of quantities
Site investigation: Specialist reports Consultant invoices Environmental impact assessments / studies	Procurement: Procurement policy Tenders Quotes OJEU notices (if applicable)
Further compliance requirements	
Publicity: All press cuttings/articles/brochures/flyers relating to the project Pictures of billboards (if applicable)	State aid: Justification against four State aid tests
Horizontal themes Record of activity Outcome reports	Evaluation Evaluation plan Surveys Output log

	Quarterly evaluation updates Evaluation reports
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6 Data and information management

To ensure compliance and appropriate retention of all appropriate project records, Grantees should retain a data management policy for the project. The purpose of this Data Management Policy is to ensure that the Grantee 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 Managing data

6.1.1 Ownership and user rights

Where the collection of data is part-funded by Transport Scotland, Transport Scotland will seek to share the intellectual property. If the intellectual property is to be retained by another organisation Transport Scotland will:

- expect unrestricted user rights, with distribution to third parties referred back to the other organisation;
- expect to create derived products.

Therefore, in terms of the submitted data and information provided by the Grantee, Transport Scotland will ensure that the IPR is shared. Transport Scotland as Lead Partner and the Scottish Government as Managing Authority should be given unrestricted user rights to create derived products of all LCTT Challenge Fund spatial data, photographs, videos, monitoring and measuring data submitted by Grantees.

The data and information collected as part of monitoring progress against the indicators and measures may be used by the Lead Partner (Transport Scotland) and/or Managing Authority (Scottish Government) in reports, case studies and publicity material. Therefore, it is important that Grantees ensure all participants and staff that feature in the data are aware of this and have given the appropriate consent for their details to be shared.

The Scottish Government has created a consent form for European Regional Development Fund Case Studies that Grantees can download and use for this purpose (see page 20 of the [European Structural Funds, 2014-2020, Publicity Requirements](#)). Note that although the form states that we can use the case study up to 31 Dec 2022, Transport Scotland reserve the right to extend that date to 31 December **2027** as this is the date to which they are required to monitor results of the Strategic Intervention by the EU and the Scottish Government.

Grantees shall agree to provide data from their organisation necessary for the purposes of the approved project.

Grantees shall not benefit from any intellectual property rights arising from the achievements of their project.

6.1.2 Disposal

Appropriate disposal of all files held by Transport Scotland 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

Grantees 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 and Environmental Information Regulations

Transport Scotland handles requests for information under the Freedom of Information (Scotland) Act 2002 (FOISA) and Environmental Information Regulations 2004.

Under the access to information legislation FOISA, any person has a right of access to Transport Scotland'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

The Data Protection Act 2018 (DPA) is an Act of Parliament of the United Kingdom of Great Britain and Northern Ireland which implements the General Data Protection Regulation (GDPR) and defines UK law on the processing of data on identifiable living people. It is the main piece of legislation that governs the protection of personal data in the UK.

Personal data is information about a specific person that directly identifies them or leads to their identification when read with other information. The GDPR and DPA set out how personal data must be used and protected. (For example, Human Resources data for sick leave only needs to record number of days sick and does not need to contain reasons as this is personal information.) Transport Scotland, as all public bodies, is bound by GDPR and DPA and applicants should ensure they will comply with the legislation when using personal data.

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. Transport Scotland has an obligation under FOI. We will ask anyone supplying us with information if they consider anything to be Commercial in Confidence so that we can take this into consideration if we receive a request from FOI. If Grantees consider that any of the information supplied to Energy Saving Trust or Transport Scotland is commercially confidential, please confirm that the particular sections have been identified by marking them as Commercial in Confidence.

6.1.7 Privacy Statement

A privacy statement is included when personal data is being collected. The privacy statement tells the data subject who is collecting their personal data, what it's going to be used for and, if applicable, who else the data might be shared with. Giving a privacy statement is in line with the [ICO Code of Practice](#) and allows the data subject to participate/provide their data in an informed manner.

6.2 **Managing different data types**

6.2.1 Photographs

All photographs commissioned or submitted should be supplied in a digital format (jpg file). Images should be the maximum size that can be achieved by the camera. Each image should have the following metadata (information):

- Image ID
- Title
- Photographer (the person or the organisation)
- Short description
- Date taken
- National Grid location
- Permissions
- Copyright

If the images / videos are to be supplied by freelance professionals, then the images should have the requested file metadata tagged to the IPTC field of each image file. If not, then a separate accompanying spreadsheet with the metadata will be required.

Grantees must give Transport Scotland the right to use the photographs, transparencies or digital images, including video images provided. Grantees 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 Transport Scotland or before they are to be used. Any images/videos that are of professional quality will be uploaded onto the Transport Scotland image library for Transport Scotland use.

6.2.2 Press Cuttings

As a result of copyright restrictions, Transport Scotland cannot keep electronic copies of press cuttings for more than 28 days. In cases where these are needed for reporting and audit purposes, we will print off hard copies to keep. Transport Scotland will also ask for copies of press releases together with a distribution list and hard copies of final articles that have been published.

Transport Scotland also need to be informed about news releases ahead of time and to include certain basic information about the LCTT Challenge Fund and a quote from Transport Scotland where possible (further information is in the *Communications and publicity guidance*).