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2007-2013 Action Note

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Self Declared Adjustment (SDA) Provider Guidance

Who

ESF Co-financing Organisations (CFO), ESF non-Co-financing Organisations (non-CFO), European Secretariat Government of Gibraltar, Greater London Authority (GLA), ITM Unit and ESF Managing and Certifying Authorities.

What

This action note provides guidance in relation to the use of Self Declared Adjustments (SDAs) including good practice examples for recording SDAs on INES.

Cleared

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Background

1. CFO, Non CFO, ITM and TA projects must submit claims for payment for the quarters ending on the last day of February, May, August and November, within 20 working days of the quarter end. Claims must include only expenditure for the period covered by the claim together with any previously unclaimed expenditure from earlier periods.
2. Claims submitted by CFOs and non-CFOs to the programme are based on eligible activity. If expenditure declared in a previous claim has subsequently been found to be ineligible by your organisation and you are declaring it voluntarily you may do so via an SDA.
3. To ensure the Certifying Authority declare only eligible expenditure to the European Commission (EC) it is important that providers declare any Self Declared Adjustments (SDAs) in full, against the correct period and provide a full explanation. This will allow the Certifying Authority to declare eligible expenditure in the most appropriate claim period to the EC.
4. In the case of ineligible activity as a result of fraud this must always be declared as an irregularity, and not an SDA, even where it was identified by the CFO or provider.

Action

5. CFOs/non-CFOs, Government of Gibraltar and Intermediate Bodies note the guidance and ensure all providers are made aware for use when compiling information for future SDAs.
6. Any SDAs which fail to follow the good practice in the attached guidance (see Annex 1) will result in the submitted claim being rejected by the Managing Authority for remedial action to take place before processing.
7. If you have any queries regarding SDAs please speak to your Managing Authority Contract Manager.

Contact

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Annex 1: Self Declared Adjustments (SDAs)

What are SDAs?

You are able to record any adjustments required to previous claims, which you have identified yourselves, through your normal management and control systems. These are Self Declared Adjustments (SDAs).

These adjustments can be for a variety of reasons where you have claimed for expenditure in a previous claim but subsequently found the expenditure to be ineligible or incorrectly claimed due to an administration error.

In declaring an SDA, you **must** have identified the error yourselves and this **must** be independent from any form of audit (NAO, EC, ECA, AA, A16 or A13). This also applies where you have been notified that an audit will take place on a particular claim(s) and undertake some pre audit checks which identifies either irregular expenditure or an administration error within the selected claim. In these circumstances, you cannot declare an SDA and an irregularity must be declared.

When you declare an SDA within a claim, you must enter the amount in whole pounds and **not** prefix the amount with a negative. Entering a negative before the amount has the opposite effect of adding the expenditure into the claim and increasing the payment to yourselves.

The key issues to remember when inputting SDAs are:-

- The SDA is to be entered without a **negative** prefixing the amount and entered in whole pounds (rounded up or down appropriately) and attributed to the relevant costs correctly (Participant, Staff, Other).
- If an indirect costs percentage (IC%) is applied to the project, the amount of the IC% **must** be categorised against 'other' costs and **must** be explained in the reason for the SDA. (If your agreement has an IC% and you submit a claim to the MA, INES automatically calculates the IC% and adds this to the claim. This is why you must ensure your SDA takes off not just the relevant cost but also the relevant IC%).
- The reason for the SDA **must** be clear and be able to be understood by someone who looks at the SDA (in isolation) on INES.
- When declaring an SDA the provider needs to ensure the adjustment is being made against the correct claim period(s) in which the expenditure has been identified.
- Any unclaimed expenditure from a previous period should **not** be entered as an SDA but simply included in the next claim and an explanation provided in the progress report.

Please note: When your claim has been submitted to the MA, if the certifier is unable to understand or cross reference your SDA to the claim period being adjusted, your claim will be rejected for further clarification.

An example of a correctly declared SDA

Fig 1 is an example of an SDA declared because the incorrect hourly rate had been claimed in the Feb 12 claim for two members of staff. The agreement also has an IC% of 20%.

Fig 1

This period	Period the adjustment is for	Category
May 2012	Feb 2012	Over claim

Costs and funding. Note: all financial entries must be 'IN PERIOD'	
Participant costs	£0
Staff costs	£91
Other costs	£18
Total costs adjustment	£109
ESF funding	£55
Public match funding	£54
Revenue	£0
Total funding adjustment	£109

Reason for adjustment

Clerical error owing to the incorrect use of the hourly rate for Joe Bloggs. Incorrect hourly rate used = £22.81 x 27 = £615.87. Correct hourly rate - £21.50 x 27 = £580.50. Over claim of £35.37.

Clerical error owing to the incorrect use of the hourly rate for Ann Other. Incorrect hourly rate used = £24.55 x 36 = £883.80. Correct hourly rate - £23.00 x 36 = £828.00. Over claim of £55.80.

£35.37 + £55.80 = £91.17 (these two amounts should be added together first and then the rounding applied) therefore £91.17 is rounded to £91.

Indirect costs percentage (IC%) of 20% applied
 £91 x 20% = £18.20 rounded to £18.

SDA = £91

IC% = £18

The reason clearly states the names of the staff, the incorrect hourly rate and the correct hourly rate. Calculations are evident to see how the amount of the overpayment for each staff member has been made. The overpayment has correctly been declared as 'Staff' costs and the IC% has then been calculated and declared under 'Other' costs.

The SDA can be cross referenced to the Feb 12 claim and Fig 2 (below) is the staff costs section from this claim where the members of staff concerned and their original hourly rates can be evidenced.

Fig. 2 – Feb 12 claim

Staff costs: Note: all financial entries must be 'IN PERIOD'

Staff name	Job title	Staff type	Salary per hour	Hours worked	Total cost
A Bridges	Admin	Administrators	£2,500	1	£2,500
C Sweet	Mgt Trainer	Trainers	£21.25	1.50	£31.88
F Thompson	Team Mgr	Other Staff	£3,000	1	£3,000
H Trowell	Admin	Administrators	£2,500	1	£2,500
Joe Bloggs	Accountant	Other Staff	£22.81	27	£615.87
Ann Other	Lecturer	Trainer	£24.55	36	£883.80
J Carpenter	Admin	Administrators	£2,500	1	£2,500

This is a good example of how a CFO or Project Provider should declare an SDA so that it can be easily understood by someone who looks at the SDA (in isolation) in INES. In this example, the SDA and the related IC% have been included in one SDA. If it is easier to undertake 2 x SDAs (1 SDA and 1 IC%), this is acceptable providing the reason for the SDA explains this and the two SDAs can be cross referenced.

Remember, if the MA Certifier is unable to understand or follow through the SDA, the claim will be rejected for further clarification.

If you require assistance or clarification as a result of the rejected SDA please contact your relevant MA Contract Manager who will be able to offer further advice and guidance on the required next steps.