

RDPE KEY AND ANCILLARY CONTROLS

Plain Action Local Action Group Compliance Sheet

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Division of Key & Ancillary Controls follows definitions in EU Guideline AGRI/17933/2000, further defined by AGRI/24555/2000 (Annex 8 to AGRI/17933/2000).

Sources:

- Commission Regulation (EC) No. 885/2006
- Council Regulation (EC) No. 1698/2005
- Council Regulation (EC) No. 1290/2005
- Commission Regulation (EC) No. 1975/2006
- Commission Regulation (EC) No. 1974/2006
- Commission Regulation (EC) No. 796/2004
- Council Regulation (EC) No. 1782/2003
- Commission Regulation (EEC) No. 3508/92 (IACS Regulation)
- Council Directive (EEC) 92/102

Note:

PAOM denotes an Operating Manual document derived by and individual to Plain Action

(W) OM denotes an Operating Manual document derived by Wiltshire Council and common to Plain Action and Sowing Seeds

**KEY CONTROL 1
SUFFICIENT QUANTITY AND QUALITY OF ON-THE-SPOT CONTROLS**

REQUIREMENT	LEGAL BASE	PLAIN ACTION OPERATING MANUAL DOC NO.	COMPLIANCE
1. On-the-spot checks shall cover at least 4% of Commission declared expenditure each year and at least 5 % of the public expenditure declared to the Commission over the whole programme	1975/2006 Article 27 (2)	OM27	Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks. Compliance checks will be led by the Funding Body.
2. On-the-spot checks must cover an appropriate mix of types and sizes of operations; any risk factors which have been identified following national or Community checks and also maintain a balance between all the measures set out in the programming document	1975/2006 Article 27 (3)	OM27	Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks. Compliance checks will be led by the Funding Body.
3. All commitments and obligations of a beneficiary that can be checked at the time of a visit must be checked	1975/2006 and Article 28, (2)	OM27 PAOM 18	Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks. PAOM 18 includes Plain Action project engagement visits.
4. Should on-the-spot checks reveal significant irregularities in a region or part of a region, additional checks must be made that year and the percentage of checks increased in the following year.	1975/2006 27 (3)(4)	OM27	Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks.
5. If advance notice of the on the spot check exceeds 48 hours then it should be limited to the minimum necessary, depending on the nature of the measure and the operation being co-financed.	1975/2006, Article 27 (5)	OM27	Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks. Compliance checks selection and visiting procedure to be issued by the Funding Body in due course.

<p>6. 1% of eligible expenditure that applies to investment operations for which conditions of grant apply (as defined in the offer letter) after the final payment must also be subject to on-the-spot checks to ensure compliance with conditions</p>	<p>1698/2005, Article 72(1) 1975/2006, Article 30(3)</p>	<p>OM27</p>	<p>Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks.</p>
<p>7. Where the Leader approach is taken using Local Action Groups, an appropriate system of supervision of the Local Action Groups will be implemented, including bookkeeping checks and sample re-performance of administrative checks.</p>	<p>1975/2006 articles 32 and 33 (2)</p>	<p>OM19i, OM19ii, OM27</p>	<p>As Accountable Body, Wiltshire Council will ensure that a full claim, supported by 100% evidence of expenditure is made each quarter by LAGs. The check will be made by the Programmes Manager and authorised by separate officer working in the Finance department.</p>

**KEY CONTROL 3
PROCEDURES FOR SELECTING AND APPRAISING PROJECTS**

REQUIREMENT	LEGAL BASE	PLAIN ACTION OPERATING MANUAL DOC NO.	COMPLIANCE
<p>Applications may only be approved after sufficient checks have been carried out. These should include reference to all elements that it is possible and appropriate to control by administrative means and should include the recording of the control work undertaken, the results of the verifications and the measures taken in respect of the discrepancies.</p> <p>Checks should include the eligibility of the operation for which support is requested</p> <ol style="list-style-type: none"> a. the respect of the selection criteria set out in the rural development programme b. the compliance of the operation with applicable national and Community rules (e.g. public procurement, State aid and other obligatory standards) c. the reasonableness of the costs proposed d. reliability of the applicant with reference to any previous co-financed operations undertaken since 2000 	<p>1974/2006, Annex VI 1.1.1 1975/2006, article 2, 26 and 33 796/2004 Articles 5, 22, 23</p>	<p>OM14, OM15, OM28</p>	<p>Plain Action has fully developed an appraisal system and network of trained appraisers. The Accountable Body is satisfied that the process and systems (PAOM14 and PAOM15) conform with the regulatory requirements to make these administrative checks on applications.</p> <p>The Accountable Body will carry out a financial risk assessment (OM28) on all applications to ensure that by contracting with a project organisation it does not put itself in an adverse position.</p> <p>The Accountable Body financial risk assessment investigates 5 areas of risk:</p> <ol style="list-style-type: none"> 1. Eligible expenditure and costs check within RDPE regulations 2. State Aid implications 3. Reasonable costs assessment 4. Financial probity of the project organisation 5. Fit with the LAG programme's financial profile

KEY CONTROL 4
VERIFICATION AND CERTIFICATION OF CLAIMS/PAYMENTS

REQUIREMENT	LEGAL BASE	PLAIN ACTION OPERATING MANUAL DOC NO.	COMPLIANCE
1. Claims must be recorded on receipt	885/2006 Annex 1, 2 A (i) 1975/2006, Article 26 and Article 33	OM19	Claims spreadsheet (OM19) set up by Wiltshire Council Programmes Manager. Plain Action to set up separate claims spreadsheet recording receipt, checked, authorised, paid, etc – simple affair to oversee administration of claims. JD
2. Claims may only be authorised after sufficient checks have been carried out. These should include: i. verification of reality of service, works, supplies against plans & invoices ii. in situ (i.e. on-the-spot) visits, where appropriate	885/2006 Annex 1, 2 A (iii) 1975/2006, Article 26 and Article 33	OM19, OM27, PAOM6iv, PAOM21	Plain Action has produced a full flowchart and description of the project life process (PAOM6). This and the Project Managers' Guide (PAOM21) explain that 100% evidence of the claim is required before checked claims are sent to the Accountable Body for payment. Recommendation for payment will only occur once the Accountable Body Programmes Manager is satisfied that the claim is correct. Payment will be made by the Finance department. Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks.
3. Controls should be in place to ensure that separation of duties is maintained between inspection and administrative role of officers involved in application/claim processing.	885/2006 Annex 1, 1 A and B (ii) 1975/2006 article 30, (4 para 2) and article 33	OM6, OM19, OM27	Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks. The guidance provides for procedures so that extant financial claims are not subject to inspection by either the Plain Action Programme Manager or the Accountable Body Programmes Manager who will be checking and authorising the payment. Wiltshire Council Finance department will make payment to project.

<p>4. Exhaustive verification of the agreement/project against documentation submitted in support of amounts claimed, and in the application in respect of key eligibility requirements</p>	<p>1974/2006 Article 48 (1) 1975/2006 Articles 28 and article 33 796/2004 articles 23</p>	<p>PAOM6, and OM19 – and all project application materials held on LAG files.</p>	<p>Two stage verification process. LAG project managers at first instance to check 100% of expenditure in claim, with recommendation and authorisation to make payment by Accountable Body.</p>
<p>5. Verification of compliance with long term commitment, made clear to the claimant & according to detailed instructions</p>	<p>1698/2005 article 72 1974/2006 Annex VI 1.1.1 1975/2006 article 30</p>	<p>PAOM7 PAOM21 OM17 PAOM18</p>	<p>Plain Action's Applicants' guidance (PAOM7) and Project Manager's guide (PAOM21), make the rules around contract, claims and regulatory compliance clear to applicants, potential beneficiaries and claimants.</p> <p>Each project will receive a comprehensive contract offer letter (OM17) with full details and terms and conditions for compliance, which includes the position on retention of assets for up to 5 years following approval of the project by the Funding Body.</p> <p>Plain Action will carry out a project engagement meeting with all new project managers to re-iterate these points. (PAOM18)</p> <p>Plain Action and Wiltshire Council provide advice and guidance for RDPE projects. These are publicised on respective websites.</p>
<p>6. Adequate follow-up of all outstanding points</p>	<p>1975/2006 Articles 26, 27 and article 33</p>	<p>OM19ii, OM27,</p>	<p>A claims checklist (OM19ii) will be used to ensure claims are submitted correctly and where there are issues to follow-up these will be immediately identified.</p> <p>The system for making monitoring and compliance checks is at Guidance note (OM27) devised with the Accountable Body and includes process, rationale and frequency for all types of project checks which will be used to follow-up particularly problematic situations.</p>

<p>7. Controls must be in place to ensure that payments are calculated using the appropriate rates and amount</p>	<p>885/2006 Annex 1, 3 1975/2006 Article 33</p>	<p>OM17, OM19, OM25 (detail in flowchart OM6)</p>	<p>An irregularities spreadsheet (OM25) has been developed by the Accountable Body and this will be shared with the LAG so that irregularities will be identified, recorded and followed-up at the earliest opportunity.</p> <p>Contract offer letters will specify the full budget invested (OM17) with a breakdown of RDPE eligible grant.</p> <p>Claim form (OM19) will automatically calculate on an 'intervention rate' basis the correct amount of eligible RDPE funds to be reimbursed.</p> <p>The two stage verification process with LAG project managers checking 100% of expenditure and authorised after check by Accountable Body will ensure that only eligible expenditure is reimbursed.</p> <p>From time-to-time the Accountable Body will refer to the Funding Body with regard to contentious or novel expenditure not explicitly or implicitly covered at ch5 of the DEFRA programme document.</p>
<p>8. Controls must be in place to ensure that an expenditure co-financed by the EAFRD shall not be co-financed by way of a contribution from the Structural Funds, the CF or any other Community financial instrument.</p>	<p>1698/2005 Article 70 (7) 1974/2006 Article 2 (2) 1975/2006 Article 26(6)</p>	<p>PAOM13, OM28</p>	<p>The Application form (PAOM13) asks for the sources of matching funds.</p> <p>The Accountable Body Financial Risk Assessment (OM28) investigates funding sources.</p> <p>100% evidence of income and costs is required to support claims. This will ensure that the source of the matched funds is eligible.</p>

<p>9. Statutory and European regulatory minimum environmental and health and hygiene standards must be adhered to.</p>	<p>1698/2005 articles 20, 31 and 74(1) 1290/2005 article 9(1) 885/2006 Annex 1, 2A (iii) 1974/2006 article 48(1) 1975/2006 article 2, 26 (2c)</p>	<p>OM17</p>	<p>The Accountable Body contract offer letter (OM17) includes this requirement as a clause contained in the terms and conditions.</p>
<p>10. Cases of Force Majeure must be recognised when assessing claims.</p>	<p>1974/2006 Article 47 1975/2006 Article 26 and 33</p>	<p>OM25, Funding Body guidance, OM27</p>	<p>The Accountable Body irregularities spreadsheet (OM25) will record any claims made in this way with accompanying guidance for officers.</p> <p>Cases of Force Majeure will be limited to the examples set out in the South West RDA guidance for Local Action Groups (23 January 2009).</p> <p>Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks – this includes a section dedicated to recognising and following-up cases where Force Majeure is claimed.</p>
<p>11. Evidence in support of Force Majeure cases must be registered by the claimant within 10 working days of the situation arising</p>	<p>1974/2006 Article 47 and Annex VI 1.1.1 1975/2006 Article 33</p>	<p>OM25, OM27</p>	<p>Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks – this includes a section dedicated to recognising and following-up cases where Force Majeure is claimed.</p> <p>The Accountable Body irregularities spreadsheet (OM25) will record any claims made in this way.</p>

**ANCILLARY CONTROL 1
ADEQUATE AND RELIABLE MANAGEMENT SYSTEM**

REQUIREMENT	LEGAL BASE	PLAIN ACTION OPERATING MANUAL DOC NO.	COMPLIANCE
1. 100% of applications must be subject to exhaustive checks	1975/2006, Article 26 and 33 885/2006 Annex 1 , 2 A (i)	PAOM13, PAOM14 PAOM15 OM28	Plain Action Application process (PAOM13 application form, PAOM14 and PAOM15 appraisal documents) and Financial Risk Assessment (OM28) are compliant with GRADE and provide adequate and exhaustive checks.
2. 100% of claims must be subject to exhaustive checks	1975/2006 Article 26, 27, 28 and article 33	PAOM6 OM19	Flowchart and narratives describe the process and OM19 provides for all forms and checks. The two stage process provides for LAG management to check and certify that 100% evidence has been received in support of a claim. A subsequent authorisation check is made by Accountable Body.
3. All checks must be carried out using a checksheet, attested by the checking officer	885/2006 Annex 1, 2 A (ii) and (iii) 1975/2006 Article 33	OM19	A LAG project claim checklist (OM19) has been devised by the Accountable Body and made available for use by LAG programme managers when receiving and checking project claims.
4. Claims may only be authorised after sufficient checks have been carried out	885/2006 Annex 1, 2 A (iii) 1975/2006 Article 26 and 33	PAOM6 OM19	100% evidence will be checked by Plain Action Programme Manager before these are passed to the Accountable Body where the Programmes Manager will authorise a recommendation for payment. Payment will then be made by a separate officer in the Finance Department
5. Controls must be in place to ensure that no claim is processed and authorised by the same officer	885/2006 Annex 1,1 A and 1 B (ii) 1975/2006 Article 33	PAOM6 OM19	<ul style="list-style-type: none"> • First process check by Plain Action Programme Manager • Recommendation made by Accountable Body Programmes Manager • Authorisation for payment by senior finance officer in department

<p>6. The responsibilities of authorising officers and their delegated authorities shall be defined in writing</p>	<p>885/2006 Annex 1, 1 A 1975/2006 Article 33</p>	<p>OM6, OM19</p>	<p>The project life-cycle flowchart and description (OM6) shows the claims process (OM19) and describes the responsibilities and delegations of respective officers.</p> <p>At first instance three officers from the Accountable Body will be authorised to authorise reimbursement payments to projects.</p>
<p>7. There should be evidence of a review of work by a more senior member of staff</p>	<p>885/2006 Annex 1 2, A (ii) 1975/2006 Article 33</p>	<p>OM6, OM19</p>	<p>The claim checklist (OM19) acts as a permanent record of who checked the claim, when it occurred and captures comments made at the time. This can be used to review performance of individual staff should that be deemed necessary.</p> <p>All duties are carried out within a line managed structure.</p> <p>Plain Action Programme Manager is accountable to Plain Action Local Action Group through the Chair, and reports to LAG meetings. On staff matters Programme Manager is responsible to the Chief Executive of Community First which provides the management and administrative functions for Plain Action.</p> <p>Accountable Body Programmes Manager has a line management responsibility over Accountable Body administrative staff who will be involved in handling claims.</p> <p>Programmes Manager is line managed by Head of Service (Regeneration).</p> <p>Claims are only authorised for payment by a senior officer, who is Head of Finance within the Economic Development, Planning and Housing.</p> <p>All officers are managed within the same service, so there is line manager at director level who can review all officers and practice.</p>

8. There should be agreed written procedures provided for the receipt, recording and processing of claims	885/2006 Annex 1, 2 A (i) 1975/2006 Article 33	OM6 and OM19	These documents Flowchart (OM6) and Claims process (OM19) set out the procedures for handling claims. The Accountable Body will acknowledge receipt of LAG M&A claims. LAGs will acknowledge receipt of claims and evidence from individual projects.
9. Instructions should include a list of all documents to be used	885/2006 Annex 1, 2 A (i) and (vi) 1975/2006 Article 33	OM6 and OM19	Flowchart (OM6) and Claims process (OM19) set out the documents used when handling claims.
10. Where claims are processed using a computerised system, access shall be protected by means of individual passwords for each user	885/2006 Annex 1, 3, B 1975/2006 Article 33		All Accountable Body computers are password protected, with all officers signing a declaration governing the rules of use.
11. Information input into a computer system must be properly validated to ensure input errors are detected and corrected	885/2006 Annex 1, 3, B 1975/2006 Article 33		Programmes Manager has a line management responsibility over Accountable Body administrative staff involved in handling claims and this includes quality control and subsequent training issues that arise.
12. An operations log in the computer system shall record the identity of each officer entering or modifying data to ensure an adequate audit trail	885/2006 Annex 1, 3, B 1975/2006 Article 33	Referenced at 1.1 (k) iii)	Plain Action Programme Manager and Programme Assistant alone manage Plain Action functions. Computers are password protected. All Accountable Body computers are password protected, with all officers signing a declaration governing the rules of use.
13. All claims received will be dealt with promptly	885/2006 Annex 1 1A and B 1975/2006 Article 2, 4 and 33	OM6 and OM19i	These documents Flowchart (OM6) and Claims process (OM19) set out the timelines for handling claims which comply with regulations for prompt handling of claims. The flowchart indicates that claims will be processed within 30 working days of the end of the quarter. Reimbursements will be made to projects as and when a claim has been deemed satisfactory and has been authorised for payment by the appropriate officer, usually (dependent on the value), the Accountable Programmes Manager.
14. Authorising bodies must report regularly on:	885/2006	PAOM11	Plain Action will keep an updated list (OM11) capturing all enquiries

<p>i. number of applications processed and claims authorised within the agreed time limits</p> <p>ii. sufficiency of controls, including correct reporting of anomalies detected during inspections</p>	<p>Annex 1, 2 A (v) 1975/2006 Article 33</p>	<p>OM25</p> <p>OM19</p> <p>OM27</p>	<p>to the LAG from pre-expression of interest, through the application process to being a contracted project.</p> <p>An irregularity spreadsheet will be held by the Accountable Body (OM25) to correctly report any anomalies.</p> <p>The claims spreadsheet OM19 will be maintained by the Accountable Body listing all claims made, the amounts and relevant dates. All captured in flowchart (OM6).</p> <p>Project checks process covered in OM27.</p>
<p>15. All controls on claims and payments shall also apply to negative expenditure</p>	<p>885/2006 Annex 1, 2 A - E 1975/2006 Article 33</p>	<p>OM6, OM19, OM27</p>	<p>The documents Flowchart (OM6) and Claims process (OM19) set out the process for handling negative expenditure claims, with guidance on follow-up contained within OM27.</p>

**ANCILLARY CONTROL 2
ADEQUATE AND RELIABLE FINANCIAL ACCOUNTING SYSTEMS**

REQUIREMENT	LEGAL BASE	PLAIN ACTION OPERATING MANUAL DOC NO.	COMPLIANCE
<p>4. Availability of accurate and complete payment data and control statistics</p>	<p>885/2206 1290/2005 Article 6, 9 796/2004 Article 5, 22, 23</p>	<p>Internal accounts</p>	<p>Wiltshire Council Finance department keeps full records of all payments. Payments will be made by BACS on receipt of invoice with project's claim.</p> <p>Internal accounting and payment systems are set up to acknowledge Local Action Group budgets and project reimbursements as separate from other funds allotted by the local authority.</p>

5. Assurance that any deductions from the amounts approved for payment are in accordance with the Regulations	885/2006	OM19ii, OM25	The irregularity spreadsheet (OM25) will record and control any reductions in the claim. Only fully evidenced eligible expenditure will be reimbursed. Working through the checklist will allow for any ineligible amounts to be identified.
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ANCILLARY CONTROL 3
APPLICATION OF A FORMALISED RISK ANALYSIS FOR THE SELECTION OF CASES FOR ON-THE-SPOT CONTROLS

REQUIREMENT	LEGAL BASE	PLAIN ACTION OPERATING MANUAL DOC NO.	COMPLIANCE
<p>1. Risk Analysis must take into account The need to check an appropriate mix of types and sizes of operations</p> <p>Any risk factors which have been identified following national or Community checks</p> <p>The need to maintain a balance between the axes and measures.</p>	1975/2006 Article 27 (3)	PAOM11, OM19 PAOM3	<p>Plain Action records the Axis 3 measure under which each project will be funded on its applications tracker (PAOM11).</p> <p>The Accountable Body will carry out a Financial Risk Assessment (FRA) (OM28) for all full applications to the LAG programme. This will identify and record risks to the Accountable Body and provide for a mechanism to control and minimise risk before contractual obligations are complete. It will also identify on-going risk following contract with projects. The FRA will be supplied to the LAG decision-making body to take into account before committing to recommend a proposal for approval by the Funding Body.</p> <p>The standard contract carries a separate section for the Lag or Accountable Body to make project specific conditions aimed at minimising risk factors.</p> <p>Accountable Body will record contracted projects by measure on its claims spreadsheet (OM19).</p> <p>Plain Action's Annual review of its delivery plan (OM3) will highlight the balance of spending and re-profile or change priorities as appropriate.</p>

2. On the spot checks will be organised on approved operations on an appropriate sampling basis. These shall be - as far as is possible – carried out before the final payment is made for a project	1975/2006 article 27	OM27, PAOM18	PAOM18 includes minimum one visit by Plain Action during life of project. Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks. This includes differentiating between types of checks.
3. On-the-spot checks for completed projects where conditions of grant extend beyond the date of completion. Based on risk selection of 1% of eligible expenditure between the date that the final payment is made and the final date for compliance to conditions	1698/2005 Article 72 1975/2006 Article 30	OM27	Guidance note (OM27) devised with the Accountable Body includes process, rationale and frequency for all types of project checks. Compliance checks selection and visiting procedure to be issued by the Funding Body in due course.

ANCILLARY CONTROL 4

ADEQUATE SYSTEM FOR DEFINITION & IMPOSITION OF PENALTIES

REQUIREMENT	LEGAL BASE	PLAIN ACTION OPERATING MANUAL DOC NO.	COMPLIANCE
1. Measures where it is not possible to define standard penalty arrangements must have in place a detailed scheme of sanctions	1975/2006 Article 2 and 31(3) 796/2004 Article 73	OM17	Contract Offer Letter (OM17) details at Schedule 2 the scheme for clawback and penalty.
2. Payments will be calculated on the basis of what is found to be eligible within the claim and this will be established by subtracting the amount that is found to be ineligible once the claim has been examined from the amount that was originally claimed. If the ineligible amount discovered is more than 3% then a reduction equal to the difference between the 2 amounts will be applied to the eligible amount. If the beneficiary can demonstrate that they are not at fault for the	1975/2006 Articles 28, 30 and 31 796/2004 Article 73	OM6, OM19, OM27	Understanding that the Accountable Body Programmes Manager will control this process. Criterion and guidance for use of penalties for ineligible claims is being devised. However, normally: <ul style="list-style-type: none"> • Any claim that is not satisfactory will be returned to the LAG programme management with an explanation from the Accountable Body. The project is likely to suffer delay in reimbursement until the ineligibility issues have been resolved • LAG programme manager and/ or Accountable Body will visit and

inclusion of the ineligible amount then no reduction shall be applied.			support projects in difficulties making an accurate and eligible claim. (OM27)
3. If a beneficiary is found to have intentionally made a false declaration the operation in question shall be excluded from support of the EAFRD and any amounts already paid for that operation shall be recovered. Moreover the beneficiary shall be excluded from receiving support under the same measure for the EAFRD year in question and for the following EAFRD year.	1975/2006 Articles 31(2) 796/2004 Article 73	PAOM26 OM27	Procedures for determination of contracted project are set out in OM26 which includes the appeals process. Procedures following discovery by a project check by either LAG or Accountable Body are covered by guidance at OM27. Any determination actions begun by LAG or Accountable Body will be reported to each other as well as immediately to the South West RDA for appropriate action.
4. An appropriate penalty system for not observing minimum environmental and health and hygiene standards.	1290/2005 Article 9 (1) 1698/2005 Article 74 (1) [20, 31, 33] 885/2006 Annex 1 2(A iii) 1974/2006 Article 48 (1) [24] 1975/2006 Article 26 (2c) and 31 (3)	OM17	The Accountable Body contract offer letter (OM17) includes this requirement as a clause contained in the terms and conditions. Breach of any terms is seen as fundamental and renders the contract fir the project to be terminated, with appropriate recovery and clawback action initiated thereafter.