

CHAPTER 10**FINANCIAL CONTROL****INTRODUCTION**

All expenditures incurred during an FMD crisis must be properly authorised, executed and accounted for under appropriate General Ledger (GL) codes to facilitate compilation of claims for EU co-funding. This chapter describes the procedures necessary to satisfy national and EU audit bodies.

CONTENTS

1. Expenditure eligible for EU co-funding
 2. Accounting for this expenditure
 3. Organisational structures
 4. Physical security
 5. Procurement rules
 6. Authorisation and execution of expenditure
 7. Payment of compensation to farmers for slaughtered stock
 8. Withholding of compensation for slaughtered animals
 9. Reconciliation
 10. Preparation of payment files
 11. Administrative checks prior to payment of herd/flock compensation
 12. Preparing a claim for co-funding
 13. Post factum audits
- Annex 1 Compensation file checklist
- Annex 2 Epidemiological report form (in support of financial aid from the EC for disease eradication)

1. EXPENDITURE ELIGIBLE FOR EU CO-FUNDING

- 1.1 Article 11 of Council Decision 90/424 on expenditure in the veterinary field provides that where a Member State has had a case of FMD on its territory (and has immediately taken the measures to control the disease provided for in Council Directive 85/511/EEC as amended by Council Directive 90/423) the Commission shall provide a financial contribution equal to 60% of the costs incurred by that Member State.
- 1.2 The costs covered include:
- a) Compensation of owners for:
 - slaughter and destruction of animals
 - destruction of milk
 - cleaning and disinfection of holdings
 - destruction of contaminated feeding stuffs and, where it cannot be disinfected, contaminated equipment
 - losses incurred by farmers due to restrictions on the marketing of livestock and pasture fattening animals as a result of the introduction of emergency vaccination (in accordance with the penultimate paragraph of Article 13(3) of Council Directive 85/511(EEC)).
 - b) Where applicable, the transport of carcasses to processing plants.
 - c) Any other measures (defined by the Commission) which are essential for the eradication of the outbreak of the disease.

2. ACCOUNTING FOR THIS EXPENDITURE

- 2.1 The HEO in the Class A Disease Section of Animal Health and Welfare Division should request Finance Division to establish all of the GL codes necessary to account for expenditure under the above headings.
- 2.2 If there are multiple outbreaks and more than one Local Disease Control Centre (LDCC) has been established it will be necessary to either:
- establish a different series of GL codes for each LDCC
 - or
 - identify cost centres for expenditure relating to each LDCC.
- 2.3 In addition, specific GL codes should be established for other expenditures such as overtime, unsocial hours, stationery, office equipment, etc. which may, in the normal course of events, be accounted for under general Departmental headings.

3. ORGANISATIONAL STRUCTURES

3.1 Financial Control Monitoring Committee

- a) A Financial Control Monitoring Committee should be established if an FMD case is confirmed on the island of Ireland or if events elsewhere justify it.
- b) The Committee will include, at a minimum, the Department's procurement officer and senior representatives from the Internal Audit Unit, the Economic Unit and Animal Health and Welfare Division. It will be chaired by the Finance Officer.
- c) The remit of the Committee will be to:
 - monitor expenditure
 - ensure that proper financial control procedures are in place
 - co-ordinate an approach to financial reporting
 - advise senior management and front line staff on financial control aspects of the crisis
 - brief the Public Expenditure Division of the Department of Finance on the crisis and its implications for the public finances.

3.2 Payments sections

Payable orders are produced at the Department's Accounts Division in Cavan. However, the preparation and certification of payment instructions should be handled as follows:

- **Payments processed by LDCC**

Payments in relation to expenditure in the control zones surrounding the FMD outbreak should be prepared and certified primarily by administrative staff in the LDCC.

- **Payments processed by HQ**

An FMD payments section should also be established in HQ. This should be headed by an HEO reporting to the Assistant Principal in the Animal Health Section of the Animal Health and Welfare Division. It should process FMD related payments outside the Control Zones (controls at ports, airports, compensation for herds slaughtered outside of control zones etc.).

4. PHYSICAL SECURITY

Appropriate arrangements should be put in place, both at LDCC level and at HQ, to ensure the physical security of all the files relating to payment.

5. PROCUREMENT RULES

- 5.1** As a general principle, public service organisations purchasing goods or services must ensure they obtain reasonable value for money for the taxpayer through competitive tendering. There should be neither discrimination against nor favouritism towards particular suppliers.
- 5.2** In an emergency situation, without prejudice to this principle, it may be in the public interest – and even that of the public finances – to make purchases using different procedures simply to ensure that essential goods or services are acquired without delay.
- 5.3** However, in such circumstances, where it is not, for example, practicable to advertise for particular goods or services, care should be taken **to document fully the procedures adopted, the companies invited to provide the goods or services and the reasons particular suppliers are selected (e.g. price, quality of service, lack of alternative suppliers, etc.)**. In an LDCC, for example, this could involve making a written record of a series of phone calls to suppliers of disinfectant, transport services, plant hire contractors, etc, and indicating the prices quoted and the reasons.
- 5.4** If procurement procedures must be short-circuited to deal with an emergency, every effort should be made to regularise the situation as soon as possible.

5.5 National procurement rules

National procurement rules apply where the expenditure for a particular good or service from a particular supplier is expected to be less than a certain expenditure threshold (currently €139,312 for Government Departments). These are described in the Department of Finance ‘Green Book’.

5.6 Departure from national rules

If goods or services valued at €25,000 or more are purchased without a competitive procedure, the procedure adopted should be the subject of a review by either the Financial Control Monitoring Committee, the Internal Audit Unit or by an equivalent group which has not been involved in the procurement exercise.

- 5.7** The Financial Control Monitoring Committee should advise the Public Procurement Division of the Department of Finance as soon as possible after the confirmation of an FMD case on the island of Ireland of the possible need to short-circuit national procurement rules.

5.8 EU procurement procedures

If the value of goods or services sought from a particular supplier exceeds the threshold referred to in section **5.5** above, the contract should be advertised in the Official Journal of the EU, except in circumstances described in **5.9** below.

5.9 Departure from EU rules

Council Directive 92/50 provides, in article 11 (3) that contracting authorities may award public service contracts by negotiated procedure without the publication of a contract notice “*if it is strictly necessary, when, for reasons of extreme urgency, brought about by events unforeseeable by the contracting authorities*”, the time limits for EU procedures cannot be kept.

- NB.** The term “ extreme urgency” will be interpreted strictly by EU auditors. In determining eligibility for co-funding they will take into account the extent to which value for money has been obtained. Furthermore, events at the beginning of a crisis which may justify the circumvention of normal EU procurement rules may not necessarily qualify later under the “extremely urgent” heading, say six months into a crisis.

6. AUTHORISATION AND EXECUTION OF EXPENDITURE

- 6.1** Procedures for the authorisation and execution of payments are laid down in Section E of the Department’s Financial Procedures Manual. Payments must be certified by a sub accounting officer, and the checklist attached at **Annex 1** should be used to prepare each payment made.
- 6.2** Payments may only be made to registered clients of the Department. In the event of an FMD emergency, the Financial Control Monitoring Committee should advise the Client Registration Unit of the need to expedite the arrangements for registering clients (e.g. by permitting registration on the basis of a phone call).
- 6.3** At the LDCC(s), goods or services may occasionally be procured by field staff in an emergency without reference to the administration section. In all cases administrative staff processing invoices should ensure, **before certifying payments**, that the officer who has purchased the good or service submits in writing the reason for its purchase and confirms that it has been received or provided.

7. PAYMENT OF COMPENSATION TO FARMERS FOR SLAUGHTERED STOCK

7.1 Compulsory slaughter

The Diseases of Animals Act, 1966, provides in Section 17 for payment of compensation to farmers in respect of animals slaughtered as a result of a Class A Disease. EU co-funding may only be provided in respect of compulsory depopulation.

7.2 Valuation

- a) The valuation of animals should be carried out in accordance with Chapter 19, **Valuation**.
- b) **Any compensation rates agreed must have a demonstrable basis in actual market values for such animals immediately prior to the outbreak.** (See Commission Decision 2001/646/EC, of 14/8/01, which laid down the specific co-funding arrangements for Ireland in respect of the 2001 FMD crisis).
- c) If, in the course of an emergency, it becomes necessary to use flat rate valuations for certain categories of animals, **the manner in which such rates are computed must be clearly documented** at the time and sent to the Financial Control Monitoring Committee, so that it can be made available subsequently to EU auditors.
- d) If the calculation of compensation rates involves an element of extrapolation for some categories of animals, (e.g. because of the absence of sheep breeding sales immediately prior to the outbreak), this should be clearly explained and documented.

8. WITHHOLDING OF COMPENSATION FOR SLAUGHTERED ANIMALS

- 8.1 Section 58(3) of the Disease of Animals Act 1966 provides that where a person has been convicted of an offence under the Diseases of Animals Act, 1966 in relation to animals or poultry slaughtered, or carcasses or eggs destroyed, then, as a statutory consequence of such conviction, he or she shall not be entitled to compensation in respect of such animals, poultry, carcasses or eggs.
- 8.2 Where a person is disentitled to compensation under Section 58 (3) of the Act, the Minister may make an *ex gratia* payment of such amount as he or she thinks fit in lieu of compensation, taking into account any loss to the Exchequer arising by reason of the offence.
- 8.3 In cases where the Special Investigation Unit of the Department or the Garda Síochána is investigating an applicant for compensation for possible offences under the Disease of Animals Act, 1966, the payment of compensation should be deferred until the outcome of such investigations is known. If a case is recommended for prosecution, payment should be deferred until the outcome of the prosecution is known.

9. RECONCILIATION

The number of animals valued should be reconciled against the number of animals referred to in the census, the number of animals slaughtered and any deaths, births, etc. should be recorded. As far as possible, the animals slaughtered should be reconciled with the quantity of materials rendered or destroyed.

10. PREPARATION OF PAYMENT FILES

Payment files for the payment of compensation to farmers for animals slaughtered must include:

- a checklist prepared by the person processing the payment in the format attached at **Annex 1** below
- an epidemiological report signed by a veterinary inspector in the format attached at **Annex 2** below
- a written confirmation stating that there is no reason why payment cannot be made

and

- in cases where an SIU or Garda investigation had been initiated, a report indicating that the investigation has concluded and that there is insufficient evidence to prosecute.

11. ADMINISTRATIVE CHECKS PRIOR TO PAYMENT OF HERD/ FLOCK COMPENSATION

The following checks must be carried out prior to payment:

- a) Valuation and Movement permits must be correlated with the herd/flock file.
- b) The number of animals slaughtered must be reconciled with the census data and valuation sheets. Anomalies must be investigated and the reason for them recorded.
- c) Compensation calculations must be checked.
- d) Ownership/joint ownership must be checked.
- e) Ensure that all documents are **originals**.
- f) Identify files under SIU/Garda investigation, and defer payment pending the outcome of the investigation (see section **10** above).

12. PREPARING A CLAIM FOR CO-FUNDING

- 12.1** Council Decision 90/424 lays down the rules governing the provision from the EU Veterinary Fund of co-funding of national expenditures on disease eradication. In 2001 a further Commission Decision (2001/646) laid down the format in which such claims are to be submitted.
- 12.2** Claims for co-funding for a particular year must, in general, be compiled and submitted to DG SANCO no later than 1st June the following year. However the EU Commission may, by decision, set other deadlines for the submission of claims.
- 12.3** Claims for all expenses, including compensation for slaughtered animals and ancillary costs such those relating to slaughter, transport and rendering, should be broken down on the basis of cost per farm.

13. POST FACTUM AUDITS

The Commission is likely to conduct two audits before making final payments to Member States:

- a **technical audit**, to ensure that the procedures laid down by the Commission in Council Directive 85/511 for the control and elimination of FMD have been adhered to
- and**
- a **financial audit**, to ensure that financial procedures were adhered to. The focus of such an audit is likely to be on the relationship between the price paid to farmers for their animals and market reality, and on the manner in which value for money was ensured in purchasing goods and services.

ANNEX I

**FOOT AND MOUTH
COMPENSATION FILE CHECKLIST**

TICK (Y/N)

- 1. Name & address correct _____
- 2. Herd number correct _____
- 3. Signature of herdowner on Agreement Form _____
- 4. Signature of Valuer on Agreement Form _____
- 5. Documentation on file: _____
 - a) Epidemiological Report _____
 - b) Slaughter Document _____
 - c) Slaughter Certification _____
 - d) Valuation _____
- 6. Sheep (& other stock): _____
 - Totals for 5(a), (b), (c) and (d) reconciled _____
- 7. Cattle: _____
 - i) Totals for 5 (a), (b) (c) and (d) reconciled _____
 - ii) CMMS updated _____

Comments: _____

Valuations Associated by _____ CO Date _____

Checked by _____ SO/EO Date _____

Final Check/Certified by _____ HEO Date _____

ANNEX 2

EPIDEMIOLOGICAL REPORT ON EACH HOLDING SLAUGHTERED
 (in support of financial aid from the EC for disease eradication)

INFECTED HOLDING

Outbreak No. _____

1. Name and address

Herd/Flock/Unit Number

2. Date of suspicion

Date of confirmation

3. Number of animals/birds

Type of animals/birds

Date of slaughter

Date of destruction

4. Method of slaughter

Method of destruction

5. **SUSPICION**

Type of samples taken

Number of samples

Type of test

Results of tests

6. **DEPOPULATION**

Type of samples taken

Number of samples

Type of test

Results of tests

7. Presumed origin of disease

Signed: _____ VI

Date: _____

ANNEX 2

EPIDEMIOLOGICAL REPORT ON EACH HOLDING SLAUGHTERED PREVENTIVELY

(in support of financial aid from the EC for disease eradication)

CONTACT HOLDING

1. Name and address _____

 Herd/flock/unit number _____

2. Number of animals/birds _____
 Type of animals/birds _____

 Date of slaughter
 Date of destruction

3. Method of slaughter _____
 Method of destruction _____

4. DEPOPULATION
 Type of samples taken _____
 Number of samples _____
 Type of test _____
 Results of tests _____

5. Outbreak with which holding had contact (suspected or confirmed)
 Outbreak Reference No. _____
 Name _____
 Address _____

 Herd/flock/unit number _____
 Nature of contact _____

Signed: _____ VI Date: _____