

**Interreg
Europe**



European Union | European Regional Development Fund



*Sharing solutions
for better regional policies*

Financial rules and procedures

Ilaria Piazza

Finance Officer | Interreg Europe





Content

1. Eligibility of expenditure
2. LP role and reporting procedures
3. FLC requirements
4. Points of attention





1. ELIGIBILITY OF EXPENDITURE



Eligibility period

- Eligibility period
 - From: 9/2/2016 (approval by monitoring committee)
 - To: project end date
- Submission date of last report = project end date = end date of eligibility of costs
- Last 3 months before project end date: administrative project closure





Preparation costs

lump sum of EUR 15,000 per project attributed to lead partner

- Covers costs linked to the preparation of the application
- Added only to the reported lead partner's expenditure in PR1
- Distribution among partners regulated internally by project partnership agreement – only lead partner reports to the programme!
- **No supporting evidence required!**





Budget lines

- Staff
 - Administration costs
 - Travel and accommodation
 - Equipment
-
- External expertise and services

Only for staff directly employed by the partner organisations





General principles

CONSISTENT

- allocate the expenditure to the right budget line

JUSTIFIED

- unforeseen expenditure items or over/underspend needs to be justified

COHERENT

- reported activities and finances have to match



Staff costs (principles)



- For partner staff only (employment contract)

- Not for staff employed by other bodies even if
 - 100% owned by partner
 - seconded to partner
 - they are members (of association, umbrella organisation)
 - if seated in partner organisation

Programme manual section 7.2.1 & Delegated Regulation (EU) 481/2014, Article 3



Staff costs (calculation)

What does your contract say?

- full-time on project?
 - > Real cost charged (no timesheets)
 - fixed % on project?
 - > % of real cost charged (no timesheets)
 - flexible hours on contract?
 - > monthly salary / contractual hours or
 - > annual salary / 1,720 hours
 - hours + hourly rate fixed in contract?
-

Full-time / fixed %?



- **% stated in contract/mission letter**
 - Document signed at beginning
 - Reviewed on regular basis (eg annual staff appraisal)

- **% plausible**
 - in relation to their role in the project
 - in relation to other costs declared (eg. travel?)

No timesheets! 😊





[Letter head of organisation]

[Logo of the Programme]

Date:

Project timeframe:

Mission Letter in connection with the xxx project

I would like to confirm that [Insert Name and Designation of person] is being assigned work on [Insert Name of Project] funded by the Interreg Europe Programme.

S/he will be carrying out the following duties during the period [duration of the employee working on the project]:

[Insert list of project related roles, responsibilities and monthly tasks assigned to the employee]

In order to carry out these tasks [Insert Name of Person] is expected to dedicate [indicate % of time to be performed on the project] equivalent to [insert number of hours] hours per month on [Insert Name of Project].

[Signature]

[Insert Name and Designation]

[Person Assigned]

[Signature]

[Insert Name and Designation]

Chief-executive Officer/Director Corporate Services/Equivalent



Monthly calculation

- hourly rate: Monthly gross employment costs / nb of hours per month per employment contract
- attention to holiday allocation
- Record 100% working time
- **timesheet example on website!**
(<http://www.interregeurope.eu/about-us/programmedocuments/>)





1720h

- Latest annual employment cost / 1720h
- Person recently employed? → equivalent position
- Record 100% working time
- **Example timesheet on website!**
(<http://www.interregeurope.eu/about-us/programmedocuments/>)





Administration costs

- Flat rate of 15% of staff costs
- Includes: office rent, utilities, office supplies, general accounting etc.
- No administration costs under any other budget line (postal services, express delivery, stationery, etc.)
- **No supporting evidence required!**

Programme manual section 7.2.2 & Delegated Regulation (EU) 481/2014, Article 5



Travel and accommodation

- Only for staff employed by a project partner officially listed in the application form.
- Non-staff travel costs: external expertise budget line!
- Includes items such as travel, meals, accommodation, visa, daily allowances

Programme manual section 7.2.3 & Delegated Regulation (EU) 481/2014, Article 6





External expertise

- Services needed outside the partner organisation, incl. travel & accommodation for stakeholder groups
- Public procurement!

Programme manual section 7.2.4 & Delegated Regulation (EU) 481/2014, Article 6



Equipment

- Purchased, rented or leased by a partner, necessary to achieve the objectives of the project
- Mainly 'office equipment' for project management purposes, not exceeding EUR 5,000-7,000 per project
- Only planned/pre-approved equipment eligible!

Programme manual section 7.2.5 & Delegated Regulation (EU) 481/2014, Article 7



Eligibility - points of attention

- Eligibility of costs is determined by the relevance of the activities
- Not eligible costs:
 - Gadgets and gifts
 - VAT – if recoverable by whatever means
 - In-kind contributions
 - Fines, financial penalties, expenditure on legal disputes and litigation, exchange rate fluctuation and interests on debt,
 - Expenditure already supported by other subsidies

No shared costs! Contracting partner principle applies.



Gifts and promotional items

Gifts and promotional items (gadgets) are **not eligible** unless

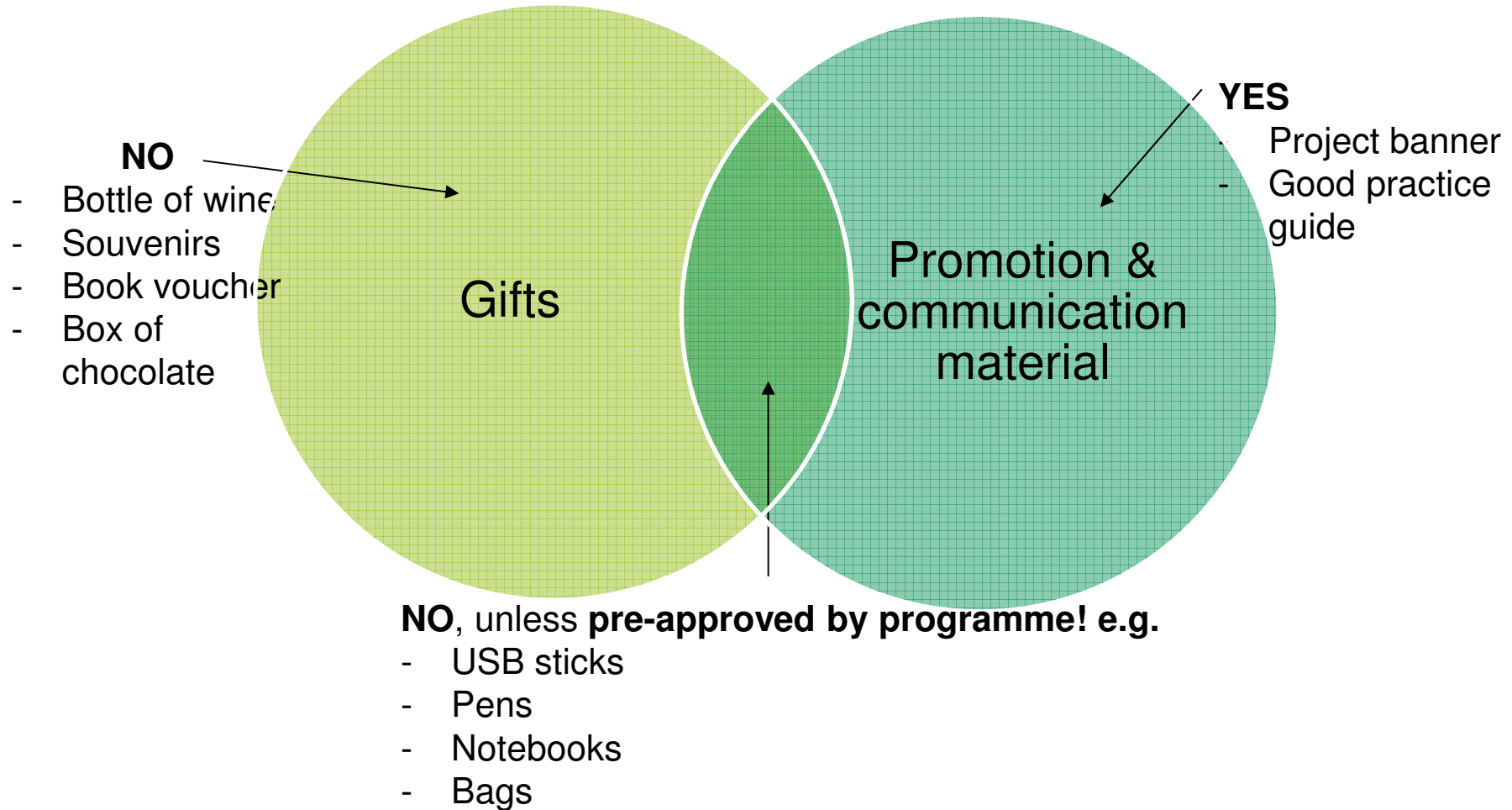
- approved **ex-ante** by the programme (application form & during project implementation)
- needed for a **specific communication activity** (EU logo/project logo does not automatically make a gift a promotional material)



Programme manual sections 7.4.9 and 8.2.1 & Delegated Regulation (EU) 481/2014, Article 2



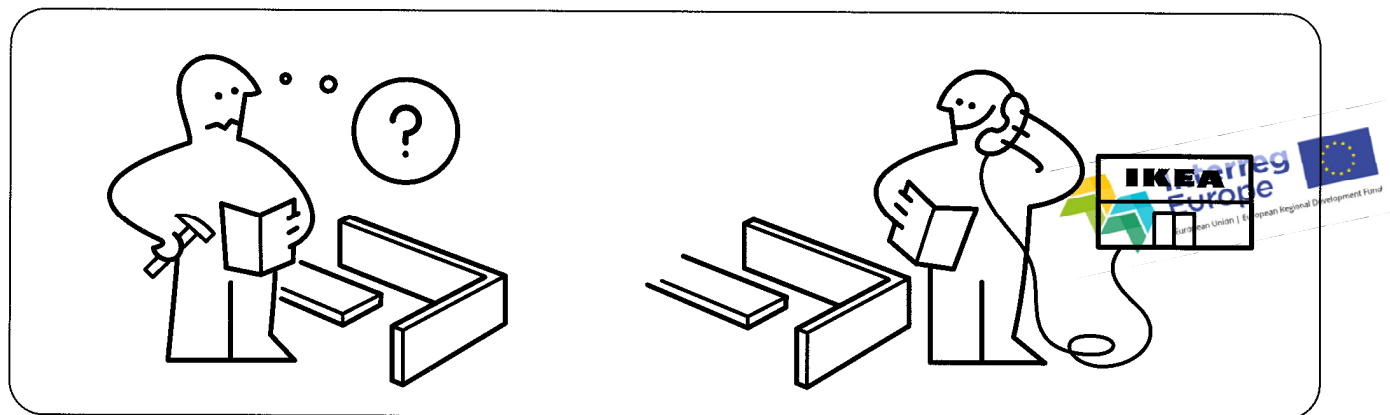
Gifts and promotional items





Eligibility - points of attention

- Prior approval from JS necessary for items not already specified and approved in the application form, e.g.
 - Activities/travel outside the programme area
 - Promotional material (gadgets)
 - Equipment





The flexibility rule

*Budget line and partner's budget at **project level (total!)** can be exceeded by up to **20% of the original amount** without formal approval by JS (no formal request for change required but change justified in PR)*

- total ERDF/Norwegian funding allocated to the project cannot be exceeded
- overspending of partners/in budget lines needs to be compensated by underspending of other partners/in budget lines.

Programme manual section 6.3.5



The flexibility rule

- Approved budget in the application form, reflected in the project partnership agreement
- Budget changes to be justified in the context of project implementation
- Lead partner to agree on the changes in cooperation with partnership





The flexibility rule

- Lead partner to keep an overview on all the budget changes
- Problems may occur if budget flexibility not monitored closely
- JS happy to give advice, but FLC responsible to confirm the eligibility of expenditure





The flexibility rule

Example

| Budget line at project level or partner budget | Original amount in the approved application form | Maximum possible overspending for this line | Explanation |
|--|--|---|--|
| Travel and accommodation costs | €180,000 | €36,000 | With the 20% flexibility rule, the original amount for this budget line can be exceeded by a maximum of EUR 36,000. |
| Partner 1 | €220,000 | €44,000 | With the 20% flexibility rule, the original amount for this partner budget can be exceeded by a maximum of EUR 44,000. |



Major budget change

*Budget reallocation **above 20%** limit for each budget line and partner budget at project level (total!) requires **prior approval by MA/JS** through **request for change** procedure*

- Major budget change can only be done **once** during project lifetime
- **Strongly recommended only at the end of the project, with solid overview on the project spending!**



References

- Useful information in the programme manual

(new version of the programme manual!)

- Section 6.2: Reporting
- Section 7: Financial management

- See also the Delegated Regulation (EU) 481/2014



**Interreg Europe
Programme Manual**

16 September 2016 (version 3)





2. LP ROLE AND REPORTING PROCEDURES

Lead partner principle



Lead partner:

- formal link between the project and the managing authority/joint secretariat
- responsible for management, communication, implementation and co-ordination of activities

Legal basis: article 13 of the ETC Regulation (EU) No 1299/2013



First level control

FLCs verify and confirm:

- the compliance of the costs with
 - the approved application form
 - the legal and financial provisions of the subsidy contract
 - the applicable European regulations
 - the national/internal rules
 - Interreg Europe programme requirements

- the delivery and payment of funded products and services



Relation with JS/MA

- **Each progress report is monitored by two persons in the JS:**
 - - a policy officer
 - - a finance officer



A **communication officer** has also been appointed to each project for any questions related to project websites (hosted by the programme)



Reporting procedures – main steps



1. Project partners identify the organization responsible for first level controls at the Partner State level

Ready for control!





Reporting procedures – main steps

2. Project partners submit the partner financial reports to the FLCs:
 - List of expenditure including list of contracts (template provided by programme <http://www.interregeurope.eu/about-us/programmedocuments/>)
 - Financial correction sheet (if applicable – only from PR2)

- Reporting per component /work packages is no longer required



Reporting procedures – main steps

List of contracts

All contracts:

- used for the project implementation for which a contractual agreement exists (not “one-off purchases”)
- linked to costs reported in travel & accommodation, external expertise + equipment
- not exclusively used for the project but used for the project implementation (e.g. travel agency, IT equipment company)

Reporting procedures – main steps



List of expenditure:

- Incurred and paid by the partner in the reporting period
- For PR1: eligible from 9 February 2016 until 30 September 2016 (no costs paid out after!)
- Preparation costs allocated as lump sum to the lead partner not to be included in list of expenditure → **BUT: included in the lead partner FLC certificate (amount certified)!**

Reporting procedures – main steps

List of expenditure:

Descriptions

- self-explanatory
- Clear link with reported activities/outputs planned in AF

Why so important?

1. Finances have to match the activities
2. Costs in PR reported against expenditure planned in AF



Expenditure in list of expenditure coherent with reported activities + costs planned in AF!

Reporting procedures – main steps



3. FLCs verify and confirm eligible the expenditure:

- First level control certificate
(annex 2 of the programme manual)
- Control report including checklist
(annex 3 of the programme manual)

Not amendable
STANDARD
documents
(HIT)

Reporting procedures – main steps

4. Each partner sends to the lead partner (LP)
 - First level control certificate
 - First level controller designation certificate
 - Validation of the first level control certificate (for ES and PT)
 - List of expenditure including the list of contracts
 - Control report including checklist

Reporting procedures – main steps



5. The LP consolidates the partner financial reports in the joint PR in the iOLF system



No longer special role for the lead partner's controller!

- The LP checks on the basis of:
 - First level control certificate
 - Control report including checklist
 - List of expenditure including list of contracts
- That:
 - the expenditure is related to the project and corresponds to the activities in the application form
 - the partner expenditure certified by a controller is in line with national control requirements (first level control certificate)





PR in the iOLF system

PR in the iOLF available end September

Dashboard

| Project History | | | |
|-------------------------------|---------|----------------------------------|---|
| Title | Version | Status | Last Updated |
| Monitoring Committee decision | | Approved | JS 12/04/2016 17:58:30 |
| Progress report 1 | 1 | Open | WebApi 13/09/2016 10:22:45 |
| Conditions | | Open | JS 04/04/2016 16:46:44 |
| Application Form | 2 | Submitted 07/03/2016 18:00 | thomas.ducloutrier@crt- auvergne.fr 07/03/2016 18:00:38 |



PR in the iOLF system

Status tab

Home Status

Status ! 1. Implementation overview ! 1.3 Activities ! 2. Results/Policy instruments ! 3. Finance ! Contact Details Lead partner declaration

Status of the current Progress Report Open

Reporting period 01/04/2016 to 30/09/2016

ERDF amount reported in this reporting period 0.00

History PR 1

Finance tab
+ subtabs

Status ! 1. Implementation overview ! 1.3 Activities ! 2. Results/Policy instruments 3. Finance ! Contact Details Lead partner declaration

Check Collapse All

✓ 3.1 Summary ! 3.2 Project expenditure ! 3.2.2 External expertise and services 3.2.3 Equipment 3.2.4 List of contracts ! 3.2.5 Spending Plan ! 3.2.6 On-the-spot Checks

✓ 3.3 Source of funding



PR in the iOLF system

Project
expenditure
tab

3.2. Project Expenditure

3.2.1 Budget breakdown per partner per budget line

| | Partner name | Partner state | Preparation costs | Staff costs | Office and administration | Travel and accommodation | External expertise and services | Equipment | Revenues | Total partner expenditure |
|---|------------------------|---------------|-------------------|-------------|---------------------------|--------------------------|---------------------------------|-----------|----------|---------------------------|
| PP1 | City of Katowice | PL | 15,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15,000.00 |
| PP2 | Moustache City Council | UK | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| PP3 | Viking | NO | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | | | 15,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15,000.00 |
| Original budget in the application form | | | | 570,000.00 | 85,500.00 | 35,000.00 | 197,500.00 | 2,000.00 | 0.00 | 905,000.00 |

Changes from the original plans

In case of overspending or underspending in a budget line, please state the reasons and indicate the measures that were taken to avoid this in the future. Please also describe on a general level problems encountered and corresponding solutions found.

0 / 3,000 characters

If a partner does not report any expenditure, please state the reasons and indicate the measures that were taken to avoid this in the future.

0 / 3,000 characters

• One or more partners did not report any expenditures. Please fill out the field 'If a partner does not report any expenditure, please state the reasons and indicate the measures that were taken to avoid this in the future.' below.



Justification needed if
partners not reporting
expenditure



PR in the iOLF system

Project activities tab

Home > 1.3 Activities > 1.3 Work plan

Status ✓ 1. Implementation overview ✓ **1.3 Activities** ✓ 2. Results/Policy instruments ! 3. Finance ✓ Contact Details Lead partner declaration

Save Check

- 1 Advisory Board meeting
- 1 International dissemination event
- 2 external events
- Interreg communication training and seminars

Activities which took place during the reporting period ⓘ

Describe in detail the activities related to a) exchange of experience (phase 1) or action plan implementation follow-up (phase 2), b) communication and dissemination and c) project management.

a) Exchange of experience

sds 3 / 3,000 characters

b) Communication and dissemination

sds 3 / 1,500 characters

c) Project management

sdsd 4 / 1,500 characters

Changes from the original plans

Describe and justify any changes from the original work plan and, in case of delays, outline the solutions found to catch up with the foreseen time plan.

0 / 1,000 characters



PR in the iOLF system

External
expertise
tab

3.2.2 External expertise and services

| Partner | Planned in the AF under item number | Type of cost | Description in the application | Planned amount | Supplier(s) | Description | Total amount in EUR | Reported so far |
|------------------------|-------------------------------------|--------------------------------|--------------------------------|----------------|-------------|-------------|---------------------|-----------------|
| 1 LP: City of Katowice | 8 | Meeting costs: partner meeting | meeting 2 | 3,000.00 | | | 0.00 | 0.00 |
| | | | | | | | 0.00 | 0.00 |

+ Add Expertise

Items reported in PR against what was planned in the AF!

PR in the iOLF system



From **PR2** onwards → Reporting fully online in the iOLF system! (no more paper docs)



- Partner reports
 - (incl. list of expenditure and list of contracts)
- FLC certification
 - (incl. the financial correction sheet, the first level control certificate, and the control report incl. checklist)
- **Validation (for ES + PT partners)**
- Joint progress report

Reporting procedures – main steps



Phase 1: every six months

Phase 2: annual basis

6. Submission of the joint progress report to the joint secretariat (JS) within three months after the end of reporting period
(PR1 – 1 January 2017)

Reporting procedures – main steps

6.1 Documents LP has to submit to JS **with PR1**
(scans ok – no original)

- A. First level control certificate for each project partner (LP included)
- B. First level control designation certificate for partners from decentralized system;
- C. Validation of the first level control certificate for partners from Spain and Portugal.
- D. List of expenditure for each partner reporting expenditure: excel version and scanned copy carrying FLC signature

NO need to send control report checklist + list of contracts to JS!

Reporting procedures – main steps



7. Clarification and/or approval of the joint PR
 - New FLC certificate required only if the overall amount by partner changes!



Reporting procedures – timeframe for reporting

- Reporting periods set by call subject to the monitoring committee (MC)'s approval

EXAMPLE

| | Reporting period | | Deadline for submission |
|-----------------------------------|------------------|---------------------------------------|-------------------------|
| Phase 1 (e.g.36 months) | six-monthly | 01 Apr – 30 Sept 01 Oct – 31 March | 01 January 01 July |
| Phase 2 (24 months) | annual* | 1 April – 31 March | 01 July |

* six-monthly reporting under certain conditions

Reporting procedures – timeframe for reporting



How to make sure to have a **sound financial reporting** in place and to be able to report costs in full and in time **by 1 January 2017?**



Yes, it is possible!

Reporting procedures – timeframe for reporting



- **Agree on deadlines**

- **Partners reporting to their controller**
 - Compile the relevant documents continuously throughout the semester → submission to the FLC shortly after the end of a reporting period
- **Partners reporting to lead partner**
 - Ensure LP has sufficient time to compile the PR and submit it on time





JS support

What's next

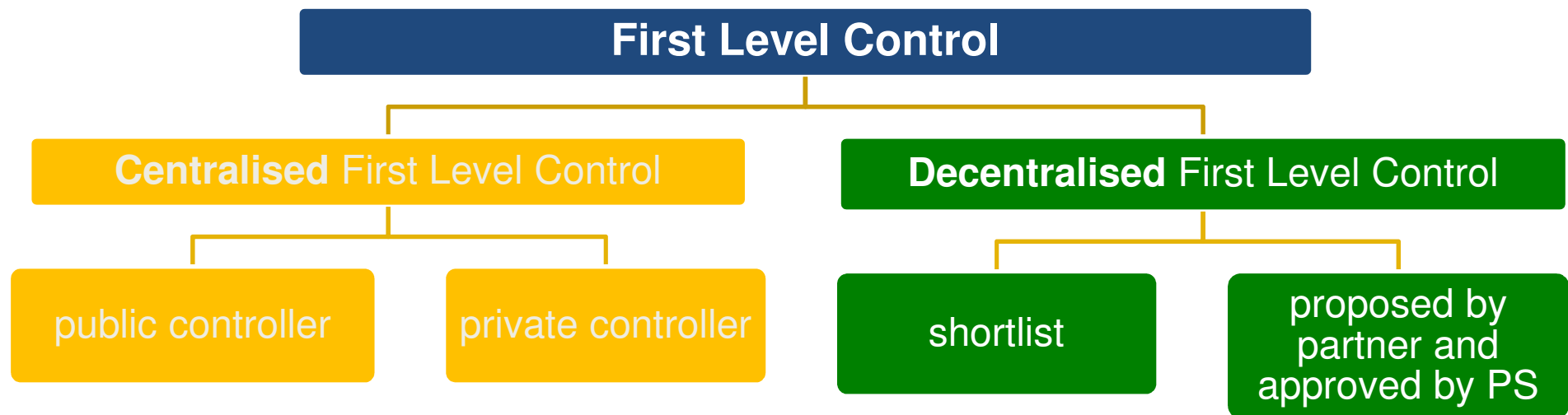
- Finance and Communication seminar Athens on 28-29 September (lead partner staff, financial and communication managers, FLC)
- 4 to 6 online Q&A sessions on reporting from mid-October open to all project partners: to provide guidance and clarify principle, rules, procedures
- Webinar on reporting activities for lead partner (content + date tbc)

3. FLC REQUIREMENTS

FLC and regulatory requirements

- All expenditure reported have to be certified by an independent controller, before submission to the JS
- MA is responsible for the financial management and control of the programme (Article 125 (4)) but...
- ... the organisation of this control = Partner State responsibility (based on Article 23 (4) of Regulation (EU) 1299/2013: “... *each Member State shall designate the body or person responsible for carrying out such verifications...*”).

The different FLC systems



First level control systems

CENTRALISED (15): Belgium: Brussels+ Wallonia, Croatia, Czech Republic, Estonia, Greece, Hungary, Ireland, Latvia, Luxemburg, Poland, Romania, Slovakia, Slovenia, Sweden, Northern Ireland (UK)

DECENTRALISED (16): Austria, Belgium-Flanders, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Italy, Lithuania, Malta, Netherlands, Norway, Portugal, Spain, United Kingdom

+ Validation for **Spain** and Portugal!

Desk and on-the-spot checks

| Desk checks | On-the-spot checks |
|---|---|
| Compulsory for each progress report | At least once during the project lifetime (end of phase 1?) |
| If 100% expenditure check not proportionate, sampling allowed | If not proportionate, sampling of operations checked on-the spot possible |
| Sampling methodology justified in control report | |
| Checks and results documented in the control report (including checklist) | Start date, amount checked and result recorded in control report |

4. POINTS OF ATTENTION

Content

- a) Public procurement
- b) Financial corrections
- c) Fraud detection and reporting
- d) Quality checks/audits
- a) Lessons learnt

Public procurement

No programme-specific rules

- Section 7.4.6 Public procurement of the programme manual

Public procurement applicable rules*

- the EU public procurement directives (Directive 2014/24/EU)
- national rules
- internal rules of the partner organisation

* The stricter rules must always be applied

Public procurement

Updated public procurement section in the control report

- Revised control questions, more examples
- Common mistakes from IVC transformed into control questions and points of attention

Online documents provided by partners

- List of expenditure
- List of contracts

Public procurement

- Any time an external provider is contracted or equipment is purchased
 - **Estimate** the value of your need (at institutional level)
 - **Identify** which rules apply (European, national, internal)
 - **Apply** the right procedure (adequate advertising through adequate media depending on interest of tender, timeframe)
 - **Award** the contract in a fair and transparent way
 - **Document** and archive the relevant documentation/ justification (even for direct awards)

Public procurement

Most common mistakes

- Inadequate procedure chosen (e.g. direct award of contract not justified)
- Insufficient publicity
- The value of the contract not estimated at institutional level
- Splitting the contracts to fit below thresholds
- Insufficient audit trail (e.g. missing documents)

Public procurement

Direct award - Common non-justified reasons:

“urgency”

“the only one”

“more economic
– no cost for
training new
person”

“good value
(based on old
comparison)”

- Direct award for these reasons is rarely justified
- Objective reasons needed (the market should prove)

Financial corrections

Correction of an irregularity included in a previous progress report paid by the programme

detected following:

- FLC (e.g. on-the-spot check)
- National checks
- Second level audits
- EC/ECA audits
- CA quality checks

Financial corrections

- Documented in a financial correction sheet
- Context of the corrections to be selected in the pre-defined list (e.g. following second level audit, on-the-spot check, national check, etc.)
- Correction done in the expenditure list

Fraud detection and reporting

Fraud

Irregularity



Intentional

error /bad
management

Consequences:

correction

correction

investigation & sanctions

Fraud detection and reporting

Fraud risks identified

- Staff costs reported do not correspond to the reality (« false labour costs »)
- Public procurement (conflict of interests, favouritism, corruption) – see recommendations in the programme manual (new grey part in section 7.4.6)
- Double financing

Fraud detection and reporting

- How will the MA/JS be informed ?
 - whistleblowing procedure for general public/beneficiaries
 - specific reporting template for FLC (to be sent by email to the JS) - see Annex 4 of the programme manual

Quality checks/audits

Several bodies to carry out quality checks/audits

- To detect errors and ensure proper use of funds



**Second Level
Auditors**



To conclude...

Don't be scared!



Be prepared!



To conclude...

- Keep a complete, well organised audit trail that is coherent with what you have reported to the JS!
- Remember that administration costs are covered by 15% flat rate! Don't report any admin in other budget lines!
- The audit trail must show the link of expenditure to the project!
- Procurement: Follow procedures!
- DON'T include recoverable VAT!

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*Sharing solutions
for better regional policies*

Thank you!

Questions welcome



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