Interreg North-West Europe

European Regional Development Fund

EUROPEAN UNION

Seminar for approved projects
1 June 2017

Investing in Opportunities

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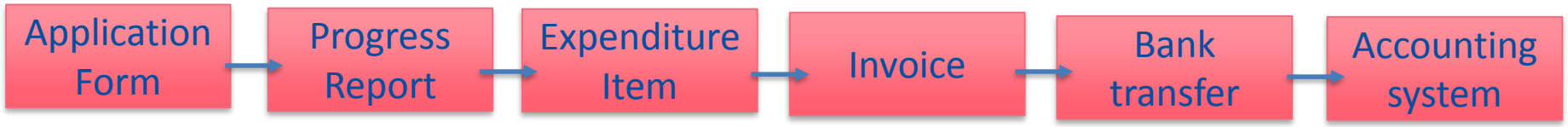
Finances and other programme rules

Johanna März
Audit and Control Officer

Audit trail

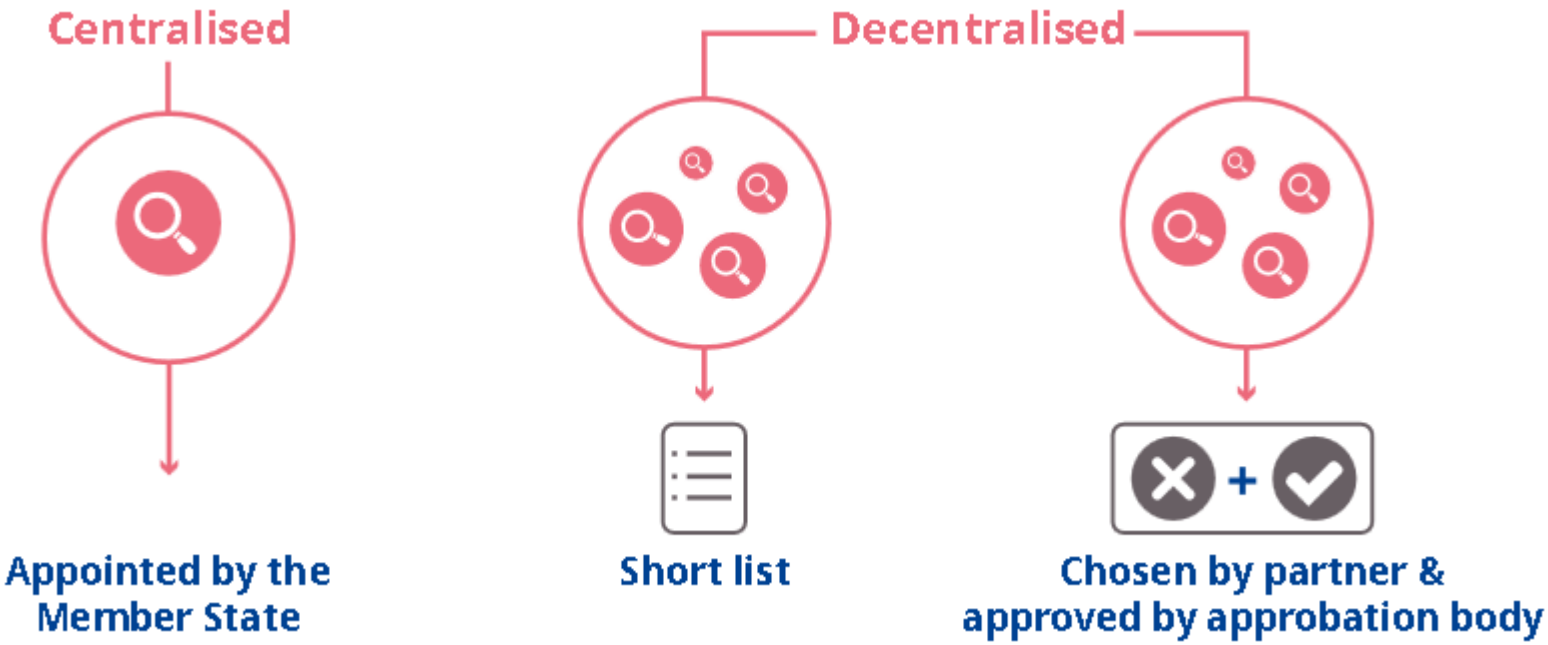
"The audit trail is a comprehensive set of documents which provide a complete history of a project and provide evidence that proper procedures were applied and outcomes achieved."



First Level Control

The FLC checks that the expenditure incurred is compliant with the relevant EU, nation, regional, institutional and programme rules as well as with the provisions of the subsidy contract.

First Level Control



FLC per Member State

Decentralised

Germany, UK, Netherlands

Decentralised with shortlist

France and Flanders

Centralised

Ireland, Wallonia, Brussels Capital, Luxembourg

FLC per Member State

Contact details of approbation bodies and centralised FLCs are available on our website:

http://www.nweurope.eu/help-support/first-level-control/

The FLC will receive the access to the eMS either via the approbation bodies (decentralised countries) or via the JS (centralised countries).

First Level Control

Documents that will have to be filled in by the FLC:

- FLC report and checklist (procurement part of the checklist is on NWE website)
- FLC certificate

Documentation of the FLC work is essential! Special trainings for FLCs are foreseen.

First Level Control

Role of the LP FLC:

A specific role mainly outside the eMS. Three special questions to be answered in the checklist:

Lead Partner-specific verifications	Accepted			Comments	Index No.
	Yes	Not (fully)	n.a.		
The Lead Partner forwarded ERDF shares for the previous report to the project partners without unnecessary delays and in full.	☐	☐	☐	*e.g. Inspected the bank account statement to verify that the Lead Partner forwarded ERDF shares for the previous report to the project partners without delays taking into consideration shared costs.*	
The documents presented by the project partners are complete and have been validated by the partner FLC.					
The information provided by the partner FLCs in the checklists is sufficient.					
General comments, recommendations, points to follow-up					

Other controls:

Second Level Control

Financial control of the Member States is a requirement from the Regulations.

Managing & Certifying Authority quality controls

MA controls at JS, CA controls usually desk based.

Member State controls

Quality controls of the FLC system.

Commission controls

To verify the management and control system of the programme.

Public Procurement

How to comply with public procurement?

There are four levels of procurement rules:

- the EU directives
- National rules
- Partner orgnaisations‘ internal rules
- Programme specific rules

Public Procurement

NWE Programme rule:

For all contracts above € 5,000 (excl. VAT) project partners need to have documented proof that three quotes have been asked for. In the event that the partner must comply with other, stricter rules (e.g. internal rules), these stricter rules must apply.

The violation of this rule will lead to a 25% flat rate correction by the FLC.

Public Procurement

The fundamental procurement principles of transparency, non-discrimination and equal treatment also apply for all purchases and subcontracted activities below the threshold values.

Current EU threshold values:

- Services and supplies €209,000
- Works contracts: €5,225,000

Public Procurement

What documents to keep?

- Budgeting information (how was the contract amount established?)
- Terms of reference
- Request for offers or publication notice
- Offers/quotes received
- Report on assessment of bids including:
- Justification for procedure
- Evaluation of offers
- Letters of acceptance/rejection
- Contract including amendments
- Invoices, payments
- Proof of delivery of goods or services

Public Procurement

Public procurement for private partners

The 3 quote NWE rule also applies to private partners!

Private partners that can be defined as governed by public law must respect the provisions of Article 2(4) of Directive 2014/24/EU if they fulfill the following criteria:

1) Are established for the specific puropse of meeting general interest needs, do not have an industiral or commerical charancter, and;
2) Have a legal personality, and;
3) Are financed, f or the most part, by the State, or regional or local authorities, or other bodies governed by public law, or are subject o manamgent supervision by thos bodies or or or…

Private partners that do not fulfill those conditions are not obliged to apply the Directives, unless there are national or internal rules which oblidge them.

Public Procurement

Main procurement mistakes:

- Direct award of tenders without any competition
- Extension of contracts are too big or in addition to the old contract, breach a threshold.
- Insufficient audit trail (lack of documentation)
- Exceptions due to urgency, will also have to follow the three quotes rule as a minimum. Furthermore it has to be proven that the urgency was due to unforeseeable circumstances. Insufficient planning by the project partner is no justification.
- The fact of having already worked with a certain external provider in the past, having been satisfied by the quality of the work and wishing to benefit from the knowledge the provider acquired through working with the partner organisation in the past and on similar subjects does not represent sufficient justification and is never approved by external auditors.
- Flat rate corrections on procuremet mistakes range from 10% to 100% depending on the severity of the breach.

Public Procurement

More information on public procurement can be found in section 5.5 of the programme manual.

Anti Fraud measures in NWE

- Zero tolerance
- Special FLC reports in case of suspicion of fraud
- Whistleblowing procedure
- 40% of fraud cases against the government happen because processes were not followed.

Intentional deceit

- Motive
- Opportunity
- Repetition
- Concealment

Irregularity vs. fraud - examples

Irregularity	Fraud
Added hours on the timesheet wrongly so claimed excess hours than worked.	Intentionally added more hours on the timesheet then actually worked. Repeated on a number of occasions.
Used same invoice twice. The amount relates to goods and services received.	Charged invoice for goods not related to project for personal gain or for goods not received.
Travelled on project related activities but unable to provide the key supporting evidence.	Travelled for personal reason and charged the costs to the project.
Followed the tendering process correctly but did not fully comply with all the requirements.	Followed the tendering process but internally manipulated the bids to favour a particular tenderer.

How are fraud cases detected?

- Internal & External Audit
- Staff Changes
- Whistleblowing
- Confessions
- Technology
- Accidentally

Q&A

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Preparation Costs

Advance Payments

Reporting expenditure

Exchange rate

Focus on each budget line

Q & A

Preparation Costs

- Work Package 0 Preparation costs
  LP budget / external experts budget line

- €30,000 ERDF paid to the Lead Partner
  ⇒ TEC amount = €50,000 (usually)
  ⇒ "other contribution" = €20,000 (usually)

- No report to be submitted – the JS creates Report 0.1

Advance Payments

- Requests from micro enterprises and micro NGOs
- Max €50,000 ERDF paid to the Lead Partner
- Closely monitored and offset at the end of the project

Reporting expenditure

Partners spend according to the AF and report their costs directly in the eMS, in the List of Expenditures.

Each invoice is allocated to one of 6 budget lines and attributed to one of the Work Packages.

Edit expenditure
Partner report 11 LP_1 Period 1 List of expenditures

PP

Budget line ---

Workpackage ---

Internal reference number

Invoice number

Invoice date

Date of payment *

Currency EUR - EURO

Total value of item in original currency

VAT

Declared amount in the original currency

Expenditure outside the Programme area?

In kind

Please describe the expenditure. In the case of staff costs, please indicate the applied method (cf. programme manual section 5.2.I)

2000 Characters remaining

Further description, if needed

2000 Characters remaining

Partner Comment

2000 Characters remaining

Edit expenditure
Partner report 11 LP_1 Period 1 List of expenditures

PP

Budget line

Workpackage

Internal reference number

Invoice number

Invoice date

Date of payment *

Currency

Total value of item in original currency

VAT

Declared amount in the original currency

Expenditure outside the Programme area?

In kind

Staff costs
Office and administration
Travel and accommodation
External expertise and services
Equipment
Infrastructure and works
Net Revenue

EUR - EURO

Please describe the expenditure. In the case of staff costs, please
e applied method (cf.
e manual section 5.2.I)

2000 Characters remaining

cription, if needed

2000 Characters remaining

Partner Comment

2000 Characters remaining

Edit expenditure
Partner report 11 LP_1 Period 1 List of expenditures

PP

Budget line: Travel and ac

Workpackage: ---

Internal reference number

Invoice number

Invoice date

Date of payment *

Currency: EUR - EURO

Total value of item in original currency

VAT

Declared amount in the original currency

Expenditure outside the Programme area?

In kind

LT implementation Long term
M management Project management

Please describe the expenditure. In the case of staff costs, please indicate the applied method (cf. programme manual section 5.2.I)

2000 Characters remaining

Further description, if needed

2000 Characters remaining

Partner Comment

2000 Characters remaining

Edit expenditure
Partner report 11 LP_1 Period 1 List of expenditures

PP

Budget line: Staff costs

Workpackage: M managem

Internal reference number

Invoice number

Invoice date

Date of payment *: 08.12.2016

Currency: EUR - EURO

Total value of item in original currency

VAT

Declared amount in the original currency

Expenditure outside the Programme area?

In kind

- DKK - Danish krone
- DOP - Dominican peso
- DZD - Algerian dinar
- EGP - Egyptian pound
- ERN - nakfa
- ETB - Ethiopian birr
- EUR - EURO
- FJD - Fiji dollar
- FKP - Falkland Islands pound

Please describe the expenditure. In the case of staff costs, please indicate the applied method (cf. programme manual section 5.2.I)

2000 Characters remaining

Further description, if needed

2000 Characters remaining

Partner Comment

Characters remaining

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Exchange rate

The eMS takes care of converting expenditure into euros, but when do you claim in another currency?

Expenditure	Bookkeeping	eMS
€	€	€
	Other	€
Other	€	€
	Other	Other

Reporting expenditure : specific rules

When financially reporting on investments please attribute the costs to all relevant budget lines (e.g. Staff costs, Equipment, not only Infrastructure and works).

Claim in accordance to your Application Form!
If costs for a member of staff are budgeted under Project management and another WP, then allocate your staff costs to both of those WP. But do not split an invoice: alternate the allocation.

Office and administration is calculated automatically.

What does the eMS do?

- automatically aggregates the claimed amounts and puts them in a list
- automatically applies the exchange rate for foreign currencies
- transfers the reports from the partners to their First Level Controllers (FLC), to the LP, who, with their FLC, endorses the amounts and transfers the report to the JS.
- warns you if a mistake is detected, or blocks you.

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Budget lines

Staff costs: overview of the various methods for claiming staff expenditure

Where do you work?

- In Wallonia? You don’t have the choice of the method, regional one only.
- In Flanders? You’ll choose between the flat rate (A) or your regional method (B.5)
- In the Netherlands and Luxembourg? All methods + a national one.
- Elsewhere? You have 5 options.

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Staff costs

In the AF, each partner organisation chose between:

Option A – Flat rate

20% of direct costs (all costs other than staff, and office and administration costs) => no need for any document

Option B – Real costs

You can then apply up to 6 different methods.

The A or B option is chosen for the entire project duration and applies to the whole partner organisation.

If you chose Option B – Real costs:

- Several methods are available
- You can chose a different one for each staff member and change method if need be.

Choosing a method

For each member of staff: do you work on the project in the same capacity each month?

- Yes: no timesheets.
  - full time: method 1 = the full gross employment cost is eligible.
  - part time: method 2 = a fixed percentage of gross employment costs is eligible.

- No: Timesheets needed.
  An hourly rate will be calculated (method 3.A, 3.B) or defined in a contract (method 4).

Timesheets

The NWE template has been sent to all lead partners.

- Please record 100% of the working time
- Other EU funded projects should be clearly visible in order to avoid double funding
- Timesheets should always be signed by the employee and the line manager

Please note that

ONLY staff on the payroll is eligible
⇒ Secondment is not eligible
⇒ Dividends are not eligible

The FLC and external auditors will need access to payroll records, with the name and salary details, to validate the expenditure.

Necessary documents:

For methods 1, 2 and 3 : the gross employment costs

Method 1 (Full time)
A single document (e.g. work contract) specifying that 100% of time is worked on project.

Method 2 (Fixed %)
A single document specifying the percentage of time to be worked on project.

Method 4 (Hourly basis)
A document (e.g. contract) specifying contractual hourly rate

Calculations:

Method 1 (Full time) = gross employment costs

Method 2 (Fixed %) = gross employment costs x fixed %

Method 3 (Flexible %) = number of hours x hourly rate

Method 4 (Hourly) = number of hours x contractual rate

How to calculate hourly rate for method 3?

a) $$\frac{\text{Monthly / Annual gross employment costs}}{\text{Contractual hours}}$$

OR

b) $$\frac{\text{Annual gross employment costs}}{\text{1720 hours}}$$

Edit expenditure
Partner report 11 LP_1 Period 1 List of expenditures

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2000 Characters remaining

Further description, if needed

2000 Characters remaining

Partner Comment

2000 Characters remaining

Please specify the method for charging staff costs here

Office and administration

- You cannot see this budget line
- Calculated automatically when you claim staff costs
- 15% flat rate

Do not charge office and administrative costs (shipping fees, telephone bills, bank transfer fees, office supplies, etc.) under other lines. **Those are all already covered by the 15% flat rate.**

Travel and accommodation

Covers only the partner staff or assimilated for:

a) travel
b) meals
c) accommodation
d) visa
e) daily allowances

Any item listed in points (a) to (d) covered by a daily allowance will not be reimbursed in addition to the daily allowance.

Internal rules apply (thresholds, class, etc.).

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External expertise and services

Tasks that partners cannot carry out themselves

Examples:

- External experts (e.g. for performing studies)
- Travel and accommodation for experts
- Promotion, communication and publicity costs
- Services related to the organisation of meetings and events (e.g. interpreters, room rental, catering, registration fees, etc.)
- Financial / legal consultancy costs
- First Level Control costs (if applicable)

Equipment

- Purchased new or second hand, rented, leased
- Not already funded by EU

Examples:

- Office equipment (but not what falls under Office)
- IT hardware and software
- Furniture and fittings
- Laboratory equipment
- Machines and instruments
- Tools or devices
- Vehicles
- Other specific equipment needed for operations

Equipment

Situation	Non depreciable	With a depreciation plan	purchased before project approved	Rented / leased
solely used for the project	full cost	pro rata	pro rata	full cost
partially used for the project	pro rata	pro rata	pro rata	pro rata
is a core component of the investment	full cost	full cost	full remainder	full cost

Infrastructure and Works

- Purchase/provision of land
- Purchase/provision of real estate
- Site preparation
- Delivery
- Handling
- Installation
- Renovation
- Other costs necessary to the implementation of construction works

Durability

Infrastructure investments (financed under the infrastructure and construction works budget line):

- must remain with the project partners for at least 5 years after the project end date.

- Cannot undergo any substantial modification within five years after the project closure date regarding:
  - a cessation of operation
  - a relocation outside the programme area
  - a change in ownership giving a firm or a public body an undue advantage
  - a substantial change affecting its nature which would result in the undermining of its original objective.

Net Revenues

- Partners declare the amount of net revenues as any expenditure item.
- Net revenues decrease the TEC of the project (i.e. the basis for ERDF calculation).
- Net revenues = revenues – operating costs (these are not claimed).

Vouchers – if you sell vouchers and do not have operating costs, the revenue gained will be treated as net revenue