

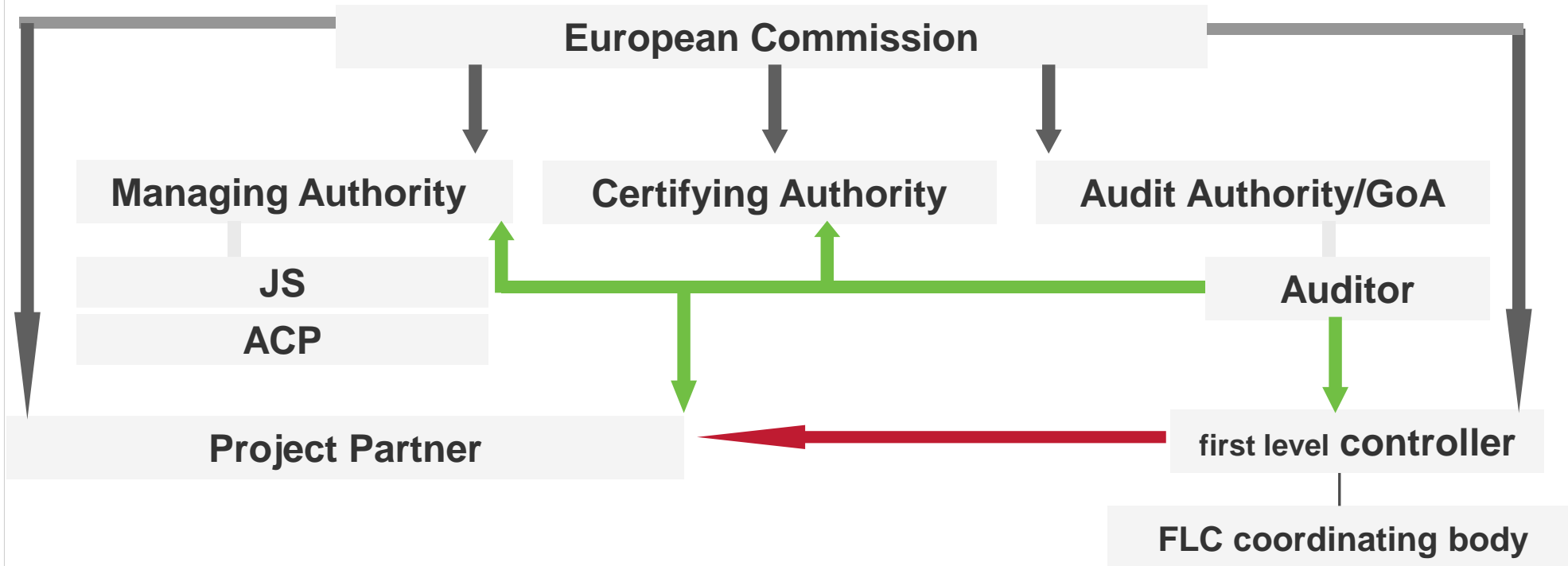
Financial Control






Financial flows and reporting



Financial control system



-  Control of **all** expenses and certification of eligible ones => **FIRST LEVEL**
-  Audit of the programme's system and sample check of projects => **SECOND LEVEL**
-  On the spot audits of the EC to verify the functioning of the system => **THIRD LEVEL**

⇒ TO ENSURE THAT ONLY ELIGIBLE EXPENSES ARE CO-FINANCED
(PROPER USE OF FUNDS)



First level control

| Member State | Centralised | Decentralised | Remarks |
|--------------|-------------|---------------|--|
| Austria | | ✓ | Controls to be carried out <u>only</u> by nominated controllers (predefined list). The operative implementation of the first level control may be assigned to external controllers. |
| France | | ✓ | PPs are in charge of choosing their FLC. According to their status (public or private), the project developers can choose if the FLC is outsourced. After selection by the PP, the FLC has to be authorized by the National Authority. |
| Germany | | ✓ | The beneficiary is free to appoint its controller, but the latter must be authorised by the FLCC. Precondition for the authorisation is the proof that the controller is personnel and functional independent from the project. |



First level control

| Member State | Centralised | Decentralised | Remarks |
|--------------|-------------|---------------|---|
| Italy | | ✓ | <p>The beneficiary is free to appoint its controller, but the latter must be authorised by the FLCC.</p> <p>Internal FLC (only for P.A. see D.Lgs 165/2001).</p> <p>External FLC must have a lot of qualifications to be designated by FLCCB (a.o. registered in RCAAE) and be selected based on procurement law.</p> |
| Slovenia | ✓ | | <p>The only body performing FLC for Slovenian PPs is the Government Office for Development and EU Cohesion Policy – Control division ETC, IPA and IFM programmes</p> |



First level control

| Member State | First level control coordinating body |
|--------------|---|
| Austria | Austrian Federal Chancellery Department IV/4 – Spatial Planning and Regional Policy Luise Fasching +43 1 53115-202915 luise.fasching@bka.gv.at |
| France | Préfecture de Région Rhône-Alpes Marine Henry +33 4 26 73 63 17 marine.henry@auvergnerhonealpes.eu |
| Germany | Bavarian State Ministry of the Environment and Consumer Protection Ernst Polleter +49 89 9214-2165 ernst.polleter@stmuv.bayern.de |



First level control

| Member State | First level control coordinating body |
|--------------|---|
| Italy | Commissione Mista Stato, Regioni e Province Autonome – Agenzia per la Coesione Territoriale Teresa Costa +39 06 96517847 teresa.costa@agenziacoesione.gov.it (commissione.mista.cte@agenziacoesione.gov.it) |
| Slovenia | Government Office for Development and EU Cohesion policy – Control division ETC, IPA and IFM programmes Spela Dragar +386 1 400 34 27 spela.dragar@gov.si kontrola-alpe.svrk@gov.si |



Audits (second level control)

- Will be performed by an external audit company– on behalf of the group of auditor (national audit experts) chaired by the Audit Authority (Austrian Federal Chancellery)
- The audit focusses on sample checks of approved projects
- Sample checks concentrate on
 - Correctness and eligibility of expenditure reported to the EC
 - Audit trail (esp. documentation on PP, LP, FLC and JS/MA/CA level)
- Experience in ETC programme showed especially deficiencies in the observance of public procurement rules and the calculation and documentation of staff costs



Fact Sheet 1.4 – What can be co-financed?

The programmes eligibility rules

14 | 20



Structure

General principles of eligibility

Detailed rules concerning the budget lines

- Staff costs
- Office and administration expenditure
- Travel and accommodation costs
- External expertise and services costs
- Equipment expenditure

Ineligible expenses



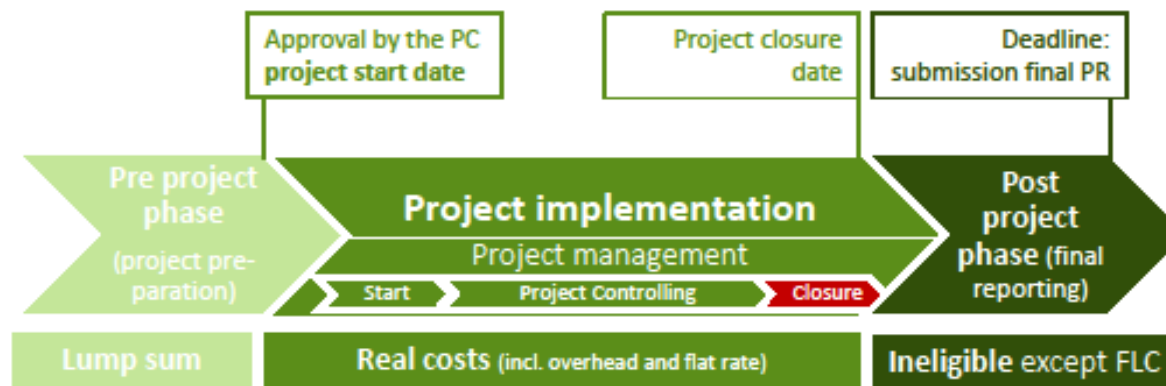
General principles of eligibility

- The expenditure shall be essential for the implementation and additional => **project reference in contracts and invoices**
- Double financing shall be excluded. => **invalidation of invoices**
- Any revenues generated by project activities must be deducted. => **recommendation: avoid revenues**
- The expenditure must comply with the principles of efficiency, economy and effectiveness. => **documentation of selection and contracting procedure**
- Only expenses incurred on the level of the respective project partner are eligible. => **invoices shall be addressed to the PP**
- Real costs principle shall be observed (except for specific cases). => **cash flow**
- Expenses related to contracts between project partners cannot be co-funded. => **don't contract your PP or any institution connected with your PP**



General principles of eligibility

- Expenses of organisations contracted via in-house procurement shall be based on verified actual and eligible costs without any additional fees charged => **contracted organisation shall follow the same rules as the PP**
- When applicable, the relevant public procurement procedures need to be observed. => **ensure the compliance with national and EU rules and a proper documentation**
- Only expenditure incurred in the eligible period shall be eligible. => **between project start and closure date**



Office and administration expenditure

- Office and administration expenditure covers operating and administrative expenses of project partners (such as office rent, utilities, office supplies, IT systems, communication, bank charges).
- For office and administration expenditure a **flat rate of 15% of the reported staff costs** can be granted. **No direct costs** can be considered eligible.
- The list on cost items covered by office and administration expenditure stated in the delegated act is exhaustive. All listed items are to be considered as covered by the flat rate and cannot be reimbursed under any other budget line. => **possible source of errors and irregularities – please check Article 4 of the delegated act (<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0481&from=EN>)**
- If no staff costs are foreseen and reported no flat rate for office and administration costs can be charged.
- No specific audit trail is necessary. Project partners do not need to document that the expenditure has been incurred and paid.



Travel and accommodation costs

This budget line covers travel and accommodation costs (i.e. travel costs, costs of meal, accommodation costs, visa costs and daily allowances) of project partners that relate to project activities.

Please consider the following:

- T&a costs of external experts and observers are ineligible under this budget line.
- Only travel and accommodation costs of the following staff members shall be eligible:
 - responsible person and contact person indicated in the AF and their officially designated substitutes (in case of applying the flat rate for staff); => **please highlight this against the PP concerned!**
 - responsible person and contact person indicated in the AF and their officially designated substitutes as well as the staff members officially assigned to the project for the period in question (in case of applying the real costs principle).
- Cancellation costs or any not used travel tickets or booking are ineligible in any case.
- T&a costs related to activities outside of the programme cooperation area are only eligible, if they have been included in the approved AF or approved beforehand by the JS.
- Costs higher than the limits for daily subsistence allowances laid down in the eligibility rules cannot be co-financed. Please consider also the rates for hotels indicated there.



External expertise and service costs

This budget line cover expenses related to professional services and expertise provided by external service providers (other than the PP) contracted to carry out certain activities linked to the delivery of the project.

Please consider the following:

- Please ensure that public procurement rules are observed and properly document the procurement procedure.
- Beneficiaries not concerned by the public procurement rules shall follow the rules fixed by the programme.
- Any expenses based on contracts concluded and payments effected between PP or beneficiaries and observers are ineligible (except the reimbursement of travel and accommodation costs).
- Project gadgets are eligible provided that the cost of the single gadget remains limited and anyway does not exceed EUR 50 and that these relate to promotion, communication, publicity or information. => gifts are ineligible



Equipment expenditure

In this budget line equipment purchased, rented or leased by a PP, other than those covered by the office and administration budget line, shall be reported. Equipment is limited to the items listed in the delegated act (such as office equipment, IT hard- and software, furniture, laboratory equipment, tools or devices).

Please consider the following:

- Costs related to the site preparation, delivery or installation of the equipment are eligible.
- **Equipment can only be co-financed if it is necessary for the project implementation or if is considered as a project output.**
- **Equipment is only eligible if listed (and specified) in the approved AF.**
- Equipment shall be purchased following the applicable public procurement procedures respectively the present eligibility rules.
- Generally (with some exceptions) only the depreciation costs are eligible.
- Equipment will probably be checked on the spot.



Staff costs

- As selected in the application form, staff costs of the project partner shall be reported either on the basis of:
 - real costs or
 - a 20 % flat rate of all other direct costs.
- The selected option is valid for all staff members of the project partner and cannot be modified during the entire project duration.

The following principles have to be observe if a project partner asks for a **flat rate**:

- The eligible amount for staff costs is equal to 20% of the total eligible amount declared under the budget lines “travel and accommodation costs”, “external expertise and services costs“, “equipment expenditure“.
- If the beneficiary opts for the flat rate financing of direct costs, no direct staff costs can be claimed.
- The project partner shall have at least one employee.
- Project partners do not need to document that the expenditure was incurred and paid.



Staff costs

The following principles have to be obeyed if the PP decided to follow the **real costs** approach:

- The staff costs calculation shall be based on costs actually paid out and proofed and calculated individually for each staff member.
- A written assignment to the project needs to be issued for each staff member informing i.a. about the percentage of assignment (corresponding to related tasks, responsibilities and outputs defined). => **programme template**
- Depending on the extent of assignment to the project the following **calculation method** applies:
 - Full time assignment on the project: 100% of the gross employment costs are eligible.
 - Part-time assignment on the project – fixed percentage of time: The gross employment costs multiplied by the fixed percentage of time worked on the project are eligible.
- For each employee and assignment a six monthly task report (=> **programme template**) shall be provided informing on
 - the implemented activities and outputs achieved on WP level,
 - any other public funded project worked on within this period.



Ineligible expenses

Non-exhaustive list of ineligible expenditure:

- VAT unless it is genuinely and definitely borne by the project partner;
- interests on debts;
- national banking charges;
- fines, financial penalties and expenditure on legal disputes and litigation;
- contributions in kind (e.g. provision of land, real estate, equipment, unpaid voluntary work);
- gifts and tips;
- any costs incurred before project approval and after project closure (except costs for FLC);
- expenditure already funded in total with public funds;
- communication material that is not in line with the programme rules on communication;
- fees between project partners;
- costs related to the contracting of employees of the partner organisations as external experts (e.g. as freelancers).

As the list of ineligible expenditure is **not exhaustive**, expenditure not listed should not be necessarily considered as eligible.



Recommendations

- In case of any doubts as regards the eligibility of expenditure
 - ⇒ consult the programme's eligibility rules
 - ⇒ consult your flc body (that might consult the FLCC body)
 - ⇒ consult MA/JS
- Ensure a proper documentation (audit trail!): even eligible expenditure can only be certified if properly documented
- Stay in contact with your flc body
- Keep your PP informed
- Check the reported expenditure on PP level



Group Work

- Exercises in groups of about six
- Please read the instruction carefully and concentrate on the relevant information
- Use the guidance on the programme templates as basis
- Ask JS and MA colleagues for support if needed

Exercise one: draft an assignment => **about 25 minutes**

Exercise two: draft a task report => **about 10 minutes**

Exercise three: calculate the staff costs => **about 10 minutes**

