



# FactSheet

No. 4.1

## First level control manual



## Table of content

1.	Introduction .....	4
2.	General structure of Interreg Alpine Space.....	5
3.	Definition of first level control .....	5
4.	First level control systems .....	6
5.	First level control coordination .....	6
6.	Authorisation of first level controllers .....	7
7.	Pre-selection of first level control bodies .....	8
	7.1. Austria.....	8
	7.2. France.....	9
	7.3. Germany.....	10
	7.4. Italy.....	10
	7.5. Slovenia .....	12
8.	Requirements for first level controllers.....	12
	8.1. Common requirements .....	12
	8.2. Specific requirements.....	13
	8.2.1. Austria .....	13
	8.2.2. France .....	14
	8.2.3. Germany .....	15
	8.2.4. Italy.....	15
	8.2.5. Slovenia.....	17
9.	Eligibility rules .....	18
10.	First level control procedure .....	19
11.	Retention period .....	21
12.	Reporting of irregularities.....	22
13.	Quality Management.....	24
	13.1. Quality Management by First Level Control Coordinators .....	24
	13.2. Quality Management by the managing authority.....	26
14.	Legal framework .....	27
15.	Contacts .....	28
	15.1. First Level Control Coordinating Bodies .....	28
	15.1.1. Austria .....	28
	15.1.2. France .....	28
	15.1.3. Germany .....	29
	15.1.4. Italy.....	29
	15.1.5. Slovenia.....	29



16. Abbreviations .....	30
17. Annexes.....	31
17.1. France – FLC Terms of Reference .....	31
17.2. France – Template package.....	31
17.2.1. Template for technical annex of the supply.....	31
17.2.2. Template for financial annex of the supply .....	31
17.2.3. Template for supplies grid analysis .....	31
17.3. Germany – FLC handbook.....	31
17.4. Slovenia – Organisational Chart .....	31



## 1. Introduction

Aiming at a proper use of public funds financial control is an important but also complex part of the implementation of ERDF co-financed projects. In transnational programmes the complexity is further increased by the necessary interplay of rules and procedures on national and programme level.

With the aim to ensure that only eligible project and programme expenses are co-financed by EU-funds, several layers of financial controls are foreseen in Interreg programmes.

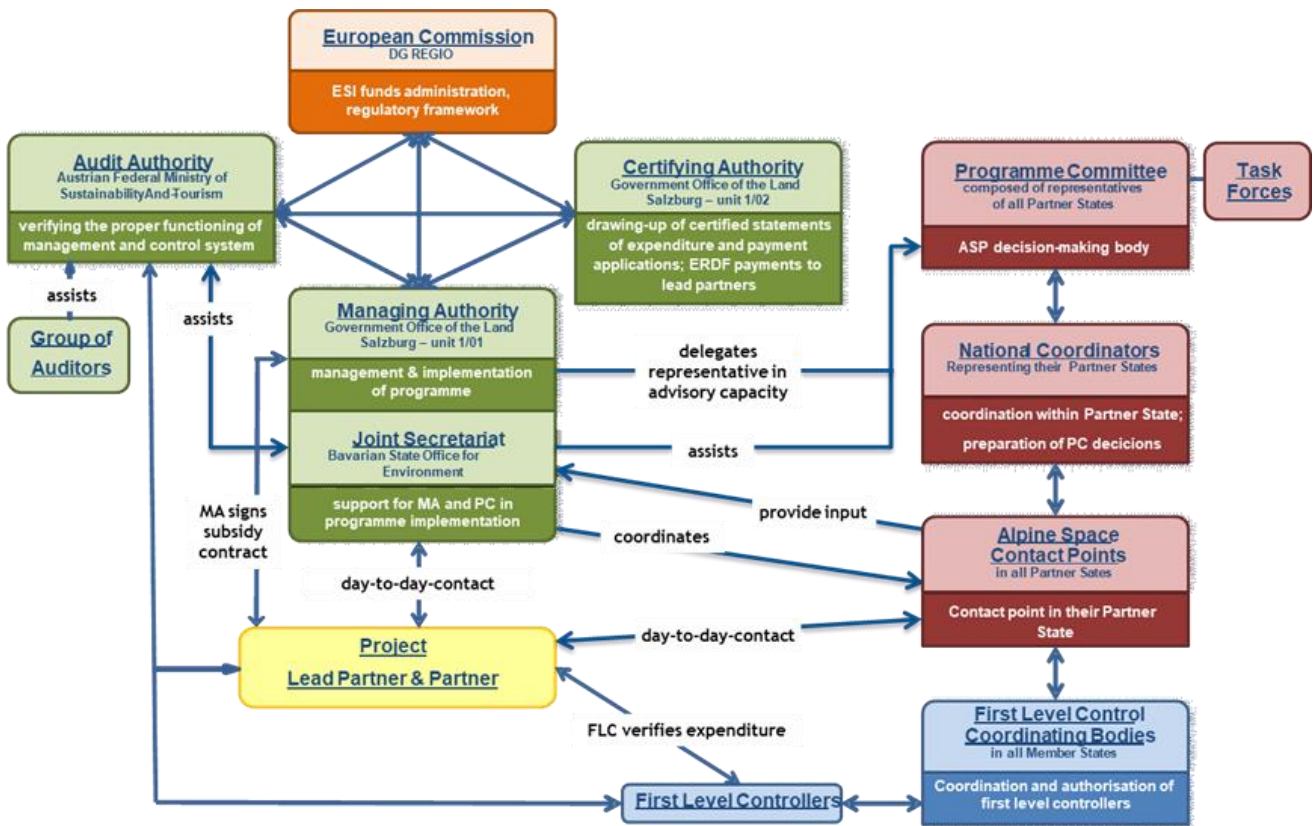
At the first level all programme and project expenses are controlled and the ones eligible for co-financing are certified, this is the so-called first level control (FLC). On a second level the programme's management and control system as well as projects (these on a sample basis) are audited. This is the so-called second level control. In the Alpine Space programme this task will be performed by a contracted company under supervision of the group of auditors. In addition, the European Commission can perform audits of the programme to verify the functioning of the system. This is the so-called third level control.

As regards the first level control (FLC) the present FLC Manual has been elaborated. It shall combine all relevant information on general programme and specific national requirements as regards the FLC in one single document. As the FLC Manual addresses first level controllers, first level control coordinators as well as project partners it guarantees that all relevant stakeholders have the same basis of information.



## 2. General structure of Interreg Alpine Space

The graph on the next page shows the general system structure including all bodies relevant for the implementation of the Interreg Alpine Space programme.



The present document deals with first level control issues (i.e. the blue boxes of the chart) and thus a rather little but quite important part of the overall programme management system.

## 3. Definition of first level control

All expenses declared by a project participant have to be checked by the responsible first level control (FLC) bodies. These have to verify that the delivery of the project products (outputs and deliverables) is in line with related expenses, the soundness of the expenditure declared and the compliance of these expenditure with Community, programme (especially the eligibility rules – see factsheet 1.4) and national rules. These verifications are the so-called first level controls.



The result of the first level controls is documented in the FLC certificate. This document indicates the certified eligible amount and is issued by the FLC body. Only on the basis of FLC certificates and project reports, ERDF payments can be initialised to the projects.

## 4. First level control systems

In accordance with the regulations EU Member States participating in the programme have to set up national control systems, including FLC systems in order to fulfil the first level controls.

There are two ways to organise the national FLC systems.

In **decentralised systems** a number of FLC bodies are available for the controls. Aiming at proper and harmonised implementation of the first level controls the FLC bodies are coordinated by the national first level control coordinating body (FLCC body). As unambiguous assignments of FLC bodies to project participants are required, FLC bodies have to be officially authorised for each project participant separately by the FLCC body.

**Centralised systems** foresee only one FLC body on national level responsible for implementing the verifications for all project participants of the respective Member State.

Austria, France, Germany and Italy have decided to build up a decentralised first level control system whereas Slovenia has set up a centralised system.

## 5. First level control coordination

As already mentioned above FLCC bodies set up on national level shall contribute to the important target of duly, harmonised and standardised implementation of first level controls for all expenses declared by project participants and independent from the project participant's location. Considering the high relevance and responsibility connected with this task the following duties were defined for FLCC bodies:

- coordination of set up and maintenance of the description of the national control system <sup>1</sup>
- authorisation of national FLC bodies
- coordination of the national FLC bodies

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<sup>1</sup> In Austria the partners of the Agreement between the Federal Level and the Länder pursuant to Art.15a of the Federal Constitutional Act on the Management and Control System in Austria for the Structural Funds in the period 2014-2020 are the responsible institutions for the setting up for the system



- contact point for managing authority (MA) and joint secretariat (JS) as regards the national control system
- distribution of programme relevant information, documents and forms to FLC bodies (MA as well as JS)
- contact point in case of (eligibility) questions for FLC and programme bodies (with the support of JS and MA if needed)
- organisation of seminars for FLC bodies (on demand)
- participation in FLCC meetings organised by MA and JS
- implementation of quality checks with regard to the national first level control system

For each EU Member State one FLCC body has been nominated. The list of FLCC bodies is set out in the chapter → contacts (chapter 15). Each FLCC body shall register in the eMS with a standardized username: [FLCC\_COUNTRY-NAME].

## 6. Authorisation of first level controllers

Each FLC body has to be officially authorised by the FLCC body before checking and certifying any project related expenses. This usually happens within five months after the approval of the project. FLC bodies not authorised will not be granted a FLC role in the eMS and will therefore not have the possibility to issue FLC certificates.

FLC bodies have to be authorised for and assigned to each single project participant in a project. Hence it is the responsibility of each project participant to take care for the identification of its FLC body in due time<sup>2</sup>. Authorisations and assignments are valid for one specific project only. That means that a project participant partaking in several projects needs a new FLC authorisation each time even if the FLC body remains the same in all projects.

FLC bodies have to fulfil specific requirements laid down on national level (→ chapter 8: Requirements for first level controllers). These should be considered by project participants when pre-selecting a FLC body (→ chapter 7: Pre-selection of first level control bodies). Project participants can ask FLCC bodies in their countries for support in case they face difficulties to find an appropriate FLC body<sup>2</sup>.

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<sup>2</sup> Not relevant for Slovenia – check chapter 7.5



After a FLC body has agreed to take over the FLC tasks either the project participant or the FLC body has to inform the FLCC body in its Member State accordingly and to ask for authorisation<sup>2</sup>.

The FLCC body will verify if the pre-selected FLC body fulfils the requirements and keep the respective documentation at its premises.

Based on this verification the authorisation can exclusively be issued via the eMS. For the purpose of authorisation only the FLCC body will be granted access to the respective section of the eMS and it will be ensured that the FLCC bodies can authorise FLC bodies for project participants located in their Member States only.

Information on the FLC body (name, contact data), the name of the person(s) in charge and the user name(s) of the respective controllers (persons allowed to upload certificates) have to be disclosed by the FLCC via the eMS. The FLCC body is responsible to insert correct and all relevant information in order to activate the authorisation of the FLC body for the respective project participant. With the authorisation the FLCC body confirms that all requirements are met and that FLC certificates of the the respective FLC body can be accepted. With this authorisation and assignment of the role of a FLC body, the latter is granted access to the relevant sections in the eMS in order to fulfil its tasks and to issue FLC certificates.

It is the task and the responsibility of the FLCC bodies to keep the authorisations in the eMS up to date and to update the information immediately in case FLC bodies, persons in charge etc. change. Therefore, FLC bodies are obliged to inform the FLCC body on such changes without delay.

## 7. Pre-selection of first level control bodies

The pre-selection of FLC bodies is dependent from the national control system.

### 7.1. Austria

According to the Agreement between the Federal Level and the Länder pursuant to Art. 15a of the Federal Constitutional Act on the Management and Control System in Austria for the Structural Funds in the period of 2014-2020 ("Article 15a B-VG") the selection of a first level control body is dependent on the criteria set out below and limited to nominated first level controllers:

- a) The control tasks are carried out by an appropriate body of the responsible federal ministry, if the beneficiary is under its authority, acts on behalf of it or is predominantly co-financed by it. The





- control tasks are carried out by an appropriate body of the responsible Land, if the beneficiary is under its authority, acts on behalf of it or is predominantly co-financed by it.
- b) If the beneficiary receives co-financing from several federal ministries or Länder, the control tasks are carried out – unless another agreement in written form was formulated by the co-financing institutions – by the federal ministry or Land which provides the highest amount of the national co-financing.
  - c) If the beneficiary who participates in the programme is a city or a municipality or under its authority, acts on behalf of it or is predominantly co-financed by a city or a municipality, the control tasks are carried out by an appropriate body of the Land on which territory the city or municipality is located.
  - d) As regards all other beneficiaries the responsibility for the control lies with the relevant/competent federal ministry. If the appropriate ministry cannot be identified, the responsibility for the control lies with the Austrian Federal Chancellery.
  - e) The bodies mentioned under a) to d) can assign qualified external controllers to carry out control tasks (the operative implementation of the control as well as issuing the certificate). For this purpose a pool of qualified external controllers was established on the basis of a public tender by the contracting parties (all federal ministries and the Länder).
  - f) The control costs have to be borne by the Austrian beneficiaries (lead partner/project partner) and can be reported as eligible cost within the project under budget line “External expertise and service costs” providing that these costs were budgeted and approved in the subsidy contract by the Managing Authority. The control costs will amount up to 7% of the total reported costs by the beneficiary plus 20% VAT. Additionally, a one-time lump sum up to EUR 2.000 (+ possible indexation) plus 20% VAT per beneficiary will be invoiced.

## 7.2. France

The project participant is free to appoint its FLC body, but the latter needs to be authorised according to the procedure set out in → chapter 6. Additionally please see → chapter 8 on requirements for FLC bodies.

Depending on their status, project participants must comply with the following rules when selecting their controllers:

- Private project participants: expenditure is controlled by an independent controller who must be contractually bound to the project participants before the first records of expenditures are transmitted. It is not possible to use the accounting services of the organisation, but the services of the statutory auditor may be used.



- Public project participants that belong to a public organisation are not bound to sub-contract the service, provided that the organisation possesses the corresponding skills (e.g., public accountant, a functionally and hierarchically independent service) and honours the obligation to remain functionally independent.

Note: within a single project, each project participant can call on a different controller independently from its partners.

Each controller has to provide detailed information on its skills and experience using a specific document (see 17.2.1 technical annex for the supply) which is controlled by the project participant and counterchecked by the FLCC body.

### 7.3. Germany

The project participant is free to appoint its FLC body, but the latter needs to be authorised according to the procedure set out in → chapter 6. Additionally please see → chapter 8 on requirements.

### 7.4. Italy

The project participant is free to appoint its FLC body, but the latter needs to be authorised according to the procedure in → chapter 6. Additionally please see → chapter 8 on requirements.

When selecting an **external controller** the project participant must comply with public procurement rules. The following procedure is foreseen in this case:

- a) The project participant collects the following documents:
  - self-declaration by the controller, in the form foreseen by the national rules, attesting honourableness, independence, professionalism and knowledge of the English language;
  - self-declaration in accordance with articles 46 and 47 of the Presidential Decree of 28 December 2000, n. 445 and subsequent amendments, vouching that the controller has been registered into the Register of Chartered Accountants and Accounting Experts, or the Register of Legal Auditors, for at least three years;
  - photocopy of the identification card;
  - clearance for the treatment of personal data.
- b) Submission of documents to ad hoc Committee

Attached to a transmission letter and an informative report the project participant sends the full set of documents listed above to the Italian FLCC (=programme's representative within the ad hoc Committee).



c) Verification of documents and authorisation of the FLC

The FLCC body verifies the documentation's completeness, fills a check list with the result of the verification, sends the full set of documents with an official note to the other members of ad hoc Committee.

After an exhaustive verification, each member assents or denies to the President of the ad hoc Committee the proposed controller within at most ten working days, even by email. In case of no communication for assent or rejection by the member(s) after ten days, the acceptance of the controller is assumed as granted.

Having verified the members' responses, the president of the ad hoc Committee authorises the FLCC with an official note to subscribe the deed of confirmation of the controllers. This confirmation of the controller is then delivered to the project participant. Information on the authorised FLC body will be inserted into the eMS by the FLCC.

Only the public administration, as provided for in the art. 1.2 of Legislative Decree 165/2001 may have recourse to an **internal controller**. In this case the following procedure is foreseen:

- a) The project participant identifies the unit responsible for carrying out the first level control having regard to the independence from the unit responsible for project implementation and the unit in charge of making payments related the project implementation.
- b) The project participant sends to the programme's representative within the ad hoc Committee the following documents:
  - a. transmission letter, officially signed and registered;
  - b. informative report;
  - c. a declaration stating that the identified unit is independent, certified with an administrative deed and/or an organization chart, and has knowledge of English language.
- c) The FLCC-body verifies the documentation's completeness, fills a check list with the result of the verification and sends the full set of documents with an official note to the other members of ad hoc Committee.

After an exhaustive verification, each member assents or denies to the President of the ad hoc Committee the proposed controller within at most ten working days, even by email. In case of no communication for assent or rejection by the member(s) after ten days, the acceptance of the controller is assumed as granted.

Having verified the members' responses, the president of the ad hoc Committee authorises the FLCC with an official note to subscribe the deed of confirmation of the controllers. This confirmation



of the controller is then delivered to the project partner. Information on the authorised FLC body will be inserted into the eMS by the FLCC body.

## 7.5. Slovenia

As Slovenia follows a centralised FLC system there is only one FLC body available to take over the FLC tasks for project participants in the Alpine Space programme. Thus, the requirement of pre-selecting its FLC body is not relevant for Slovene project participants.

Nonetheless the authorisation procedure as mentioned in → chapter 6 is applicable for Slovene project participants correspondingly.

According to the Article 74 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 responsible body for setting up the first level control system is the Government Office for Development and European Cohesion Policy.

Within the GODC the Control Division – ETC, IPA and IMF Programmes is appointed to carry out the first level controls in accordance with Article 23 Regulation (EC) No 1299/2013 for all Slovenian project participants.

## 8. Requirements for first level controllers

On programme level some general common requirements for first level controllers have been defined. Additional specific requirements are set on national level and specified in → chapter 7.

### 8.1. Common requirements

The programme language in the Interreg Alpine Space programme is English and all programme documents are written in English. Therefore it is essential that first level controllers are at least able to understand English documents, especially the programme's eligibility rules and fact sheets as well as project relevant documents like the approved application form, the subsidy contract or the partnership agreement. First level controllers have to register and work operatively in the eMS. It is strongly suggested to use a standardized username format [FLC\_COUNTRY-NAME-ABBREVIATION\_CONTROLLER-LAST-NAME], for example [FLC\_DE\_Mueller].



First level controllers must be aware of relevant EU and national regulations, among them in particular EU and national public procurement law.

First level controllers shall participate in FLC seminars organised by the FLCC body of their Member State in order to get sound knowledge of programme related as well as national rules and procedures.

## **8.2. Specific requirements**

### **8.2.1. Austria**

For controllers within the public administration in Austria the following specific requirements are necessary:

- Long standing experiences in controlling of public expenditures
- Knowledge of EU regulatory framework for Structural Funds
- Good understanding of English language
- Proven independence from the units that are implementing the project activities and are involved in the project management (included the financial management)
- Relevant references and confirmation that requirements are known

Moreover, the instructions for the public administration require personal and functional independency of the internal controllers from the project participant. These instructions have to be accepted in written form for each project assigned.

Qualified external controllers which were assigned by public administrations (private companies) have to fulfil the following requirements:

- Formal qualification (such as university degree)
- Work experiences in the field of financial control and audit (in particular certification of public expenditures)
- Registration in professional organisations
- Knowledge of EU regulatory framework for Structural Funds
- Good understanding of English language

The qualifications, supporting documents and references will be checked during the selection procedure (public tender). Before an external controller is assigned to a project, it will be asked to confirm the independency from the controlled beneficiary in written form.



## 8.2.2. France

France has provided detailed information in specific documents (see → 17.1 FLC Terms of Reference → 17.2 template package for those ones who want externalise the first level control). This package includes templates for:

- technical annex of the supply,
- financial annex of the supply,
- supplies grid analysis

In the following a summary of these documents is depicted.

The project participant must select a controller in compliance with strict requirements specified in the FLC Terms of Reference provided by France. They have to send compulsory documents to the FLCC body (see details in the annex of the FLC Terms of Reference). The authorisation of the proposed FLC body will be done by a committee - which is composed of the FLCC body, the national coordinator, the national contact point and the French representative to the group of auditors - following a clear procedure (see → 17.1 FLC Terms of Reference).

According to the FLC Terms of Reference, the requirements as regards the qualification of the person acting as FLC body concern the skills and qualifications. That means that the first level controller must hold a degree in accounting, finance or other relevant fields and must have adequate experience in the control of European projects; good knowledge and understanding of national and European financial circuits, national and European accountancy regulations, public contracts, publicity and state aid and good knowledge of English.

The qualification of the person acting as FLC body is checked before authorisation by the committee on the basis of the technical supply sent by the FLC (see → 17.2.1 technical annex for the supply).

Additionally, independence of the FLC body from the project participant must be guaranteed. In this context the committee counterchecks before the authorisation by checking each FLC application package as well as the organisation chart when the controller belongs to the same organisation.

- If control is externalised, the independence is ensured by the fact that the controller is either a sworn accountant or an auditor.
- If the control is internal, the independency is ensured by checking the independence of the structure



The committee also checks if the financial supply is reasonable and fits with the market price (see 17.2.2 financial annex).

### 8.2.3. Germany

The first level controller must hold a degree in accounting, finance or other relevant fields. In case the FLC body is a private body, it has to be a certified public accountant or equivalent to the national regulations for accountants (WPO); this will be checked by the FLCC body in the course of the authorisation procedure.

Furthermore the FLCC body will check if the controller is external and independent from the controlled partner. If the FLC body is a public body, it has to be independent (in both terms, organisationally and operationally) from the units implementing the project and handling of financial projects (administrative officer or similar according to national regulations).

Hence, the FLCC body will verify if the declarations of the project participant and the FLC body are coherent with the organisational chart of the respective organisation. If needed, additional information will be requested.

Both (private and public bodies in their function of FLC bodies) have to assure in written form that they are adopting the obligations of the respective regulations (national and EU-related).

A FLC-handbook (see → [17.3 FLC-handbook](#)) is available for all German FLC bodies. The FLC-handbook considers the audit trail required and put in place by programme authorities and comprises all necessary information and describes all relevant organisational procedures and documentation requirements for FLC bodies.

### 8.2.4. Italy

For Italian first level controllers there are specific requirements related to professionalism, independence and honourableness. A distinction is drawn between external (e.g. private company) and internal controllers (e.g. unit of a public administration different from the unit partaking in a project) as follows:

#### 8.2.4.1. External controllers

**Professionalism:** The controller in charge must:



- a) be registered for at least three years in the Register of Chartered Accountants and Accounting Experts or in alternative in Register of Legal Auditors, established under Art. 2, paragraph 3, letter a) of the Legislative Decree 27 January 2010, n. 39.
- b) not have been removed for serious failures, in the last three years, from a certified public accountant/statutory auditor position, in public or private companies and bodies.

**Independence:** The controller in charge should not be in one of the following positions towards the contracting project participant:

- a) individual or relative's participation, by now or referred to the last three years, to the management or control board and to director general's office: 1) of the contracting project participant (company or its holding) 2) of the companies who possess, directly or indirectly, in the contracting beneficiary company or in its holding more of 20% of the voting rights;
- b) existence, by now or referred to the last three years, of other business relations or engagements to establish such business relations with the contracting beneficiary/company or with its holding;
- c) any other situation, different from those under a) and b) compromising or, however, affecting the controller's independence;
- d) the controller in charge cannot simultaneously assume the task of controller of the contracting beneficiary company or of its holding;
- e) be a relative of the contracting beneficiary;
- f) have business relations resulting from the belonging to the same established professional structure, however called, in which the activity control is carried out, for any reason, even for autonomous collaboration and employee job, or to any other economic nature activity establishing business interest or sharing of business interests.

The controller in charge, at the end of the task, cannot become a member of the administration bodies, control and directorate general of the contracting project participant before a period of three years passed.

**Honourableness:** The task of national controller cannot be assigned to someone who:

- a) has been subjected to measures of prevention ordered by the judicial authority as provided by art. 6 and art. 67 of the Legislative Decree no. 159/2011 and subsequent amendments except for the effects of rehabilitation;
- b) is in state of legal or temporary disqualification from holding directorate offices of legal persons or firms from holding public office in perpetual or for a period longer than three years, except after rehabilitation.
- c) has been sentenced by a judgment against which no appeal is possible, except after rehabilitation, or with irrevocable sentence of penalty determination under article 444, subparagraph 2, of the code of criminal procedure, except after rehabilitation:





- to imprisonment sentence for one of the crimes provided for by law concerning insurance, banking, financial activities, as well as provided for, by law concerning payment instruments;
  - to imprisonment for a period not less than one year for a crime against public administration, against justice administration, against public faith, against property, against public safety, against public economy, against industrial and commercial sectors or for a crime in national fiscal legislation issues;
- d) has been declared bankrupt, except expiry of terms and effects of the bankruptcy, according to the Royal Decree 16<sup>th</sup> of March 1942, n. 267, or if they were appointed president or administrator, deputy administrator, managing director, statutory auditor of companies or bodies that were subject of bankruptcy proceedings, creditors arrangement or assets liquidation, for at least three financial years prior to the adoption of the relative restrictive measures, provided that the restrictive measures have to last five years since the adoption of the measures themselves.

#### 8.2.4.2. Internal controllers

**Professionalism and Honourableness:** These two requirements are fully satisfied by the membership to the unit which is in charge of carrying out the control activities.

**Independence:** The independence is certified with an administrative act and an organisation chart by which it is possible to gather the functional independence of the controller.

#### 8.2.5. Slovenia

The national controllers in Slovenia are civil servants working in and officially assigned by the GODC (contact data see → chapter 15.1.5) to perform the first level controls.

The Control Division – ETC, IPA and IMF programmes has 27 employees (the situation as it is on 01.04.2016). All employees perform national controls on Cross-border European Cooperation Programmes, Transnational European Territorial, Interregional Cooperation programmes and NOR&EEA grants (see → annex 17.4 organisational chart for the Government Office for Development and European Cohesion Policy [http://www.svrk.gov.si/fileadmin/svrk.gov.si/pageuploads/Organigram/organigram\\_SVRK\\_160303-ang.pdf](http://www.svrk.gov.si/fileadmin/svrk.gov.si/pageuploads/Organigram/organigram_SVRK_160303-ang.pdf)).

National controllers are financially and organisationally independent from project participants. As civil servant, they are liable to declare a conflict of interest in case they are connected with a project to be verified and are to be replaced by an unbiased controller. They have to respect the Public Sector Integrity Act (OG RS, No. 45/10).



The national controller must hold a degree in accounting, finance or relevant fields and must have working experience of minimum seven months either in accounting, finance or relevant fields. The national controllers must comply with international auditing standards. Experience with EU programmes, especially the ETC/Interreg ones, and in auditing/controlling of European projects, again especially the ETC/Interreg ones, is preferred.

Additionally it is required that all controllers can speak English and are using all relevant programme documents and templates. National controllers (names see → chapter 14.1.5) have to be familiar with the EU and national regulations on Structural Funds and participate at transnational, interregional and cross border Working Group meetings organised by the: Central Europe, Alpine Space, Danube, Adrian, Mediterranean, SI-AT, SI-HU, SI-HR, SI-ITA, EUROPE and NOR&EEA Grants.

The training of the controllers is ensured systematically through dedicated training courses and other events organised by the GODC, especially when some novelties occur. These trainings are carried out by responsible national bodies (e.g. Ministry of Finance) or by external experts. The topics include: public procurement, eligibility of expenditure, accounting rules, state aid, staff costs calculations.

#### Reporting Framework:

All the employees are 100% employed for FLC verifications and have to cooperate also with the upbringing of FLC system. All documents which are prepared by a national controller are also co-signed by the head of division. Keeping the superior informed on the individual controller's work as well as the whole control unit is ensured through regular weekly meetings (board meetings) and weekly written reports. Regular weekly meetings (board meetings) are intended to open discussions on current issues and specific cases (situations) which arise through work of controllers. Each controller is supposed to regularly inform the superior on a weekly basis to be able to direct, coordinate and control controller's work. Reports are saved on a common virtual place and are available to the superior as well as other controllers. Such manner ensures that all work is traceable enabling control and continuity of individual controller's work and control unit as whole.

## 9. Eligibility rules

The Alpine Space programme has defined eligibility rules valid for all project participants (meaning lead partner and its project partners) coming from the EU Member States of the cooperation area (see → factsheet 1.4.). These eligibility rules do not apply to expenditure of project participants from Switzerland and Liechtenstein as they are not eligible for European Regional Development Fund (ERDF) co-financing.



The programme's eligibility rules specify and complement the eligibility rules laid down by the respective EU Regulations and Delegated Acts.

Project participants are strongly recommended to seek advice at the respective FLC body, the ACP or the JS if there is any issue related to the eligibility of expenditure that is not answered by the eligibility rules.

According to article 18 of Regulation (EU) No 1299/2013 eligibility rules on national level are only applicable for matters not covered by eligibility rules on EU or programme level. Nonetheless, applicable national law remains unaffected in case it is stricter than the EU or ASP eligibility rules.

Slovenia has drawn up national eligibility rules for matters not covered on a higher level applicable for Alpine Space project participants located in their country. The Slovene eligibility rules are available under the following link:

(<http://eu-skladi.si/sl/evropsko-teritorialno-sodelovanje/transnacionalno-sodelovanje-1/informacije-in-navodila-prvostopenjske-kontrole>)

## 10. First level control procedure

In order to receive ERDF-funds the total expenditure of the single project participant has to be validated in the eMS. For the purpose of these administrative checks according to article 125(5a) of CPR the project participant will provide the designated FLC body with all the documents necessary in due time. Thus, project participants have to submit to the FLC body a project report (status or progress report) related to their project activities consisting of an activity part and a financial part. For this, the Programme has provided for the following forms which shall be used:

- listing of expenditure (embedded in eMS)
- partner report (embedded in eMS)

For staff costs calculated on a real costs basis:

- six-monthly tasks report for the documentation of activities and outputs achieved for each employee
- project assignment

To meet the requirements of a proper and standardised check of expenditure each FLC body has to apply the first level control report and checklist provided by the MA in the eMS. After carrying out the full check of



documents the FLC body will issue the standardised and obligatory FLC certificate. In this electronic document it confirms – based on the performed verifications – that it has gained a sufficient level of assurance that:

- a. expenditure is in line with European, programme and national eligibility rules and complies with conditions for support of the project and payment as outlined in the subsidy contract;
- b. expenditure was actually paid with the exception of costs related to depreciations, lump sums and flat rates;
- c. expenditure has incurred and been paid (with the exceptions above under “b”) within the eligible time period of the project (with the exceptions for the last regular report according to factsheet No. 1.4 “What can be co-financed”) and was not previously reported;
- d. expenditure based on lump-sums and flat rates (if any) is correctly calculated and the calculation method used is appropriate;
- e. expenditure reimbursed on the basis of eligible costs actually incurred is either properly recorded in a separate accounting system or has an adequate accounting code allocated. The necessary audit trail exists and all was available for inspection;
- f. expenditure in currency other than Euro was converted using the correct exchange rate;
- g. relevant EU/ national/ institutional and programme public procurement rules were observed;
- h. EU and programme publicity rules were observed;
- i. co-financed products, services and works were actually delivered;
- j. expenditure is related to activities in line with the application form and the subsidy contract;

FLCB will regularly perform on-the-spot checks at least once during the project implementation phase<sup>3</sup>. These on-the-spot checks shall be comprehensive and shall include the following verifications:

- the PP maintains a separate accounting system or adequate accounting code for the project,
- documents are correctly archived,
- existence of equipment purchased, deliveries, outputs,
- compliance with communication and publicity rules (e.g. project poster is displayed at the project participant’s premises), etc.

The on-the-spot checks should be performed at the premises of the project partner and – if not identical – additionally at the place of the physical project output. The on-the-spot checks shall be undertaken when the operation is well under way, both in terms of physical and financial progress, in order to guarantee that corrective actions can be effected in due time when problems are identified. The implementation of the on-

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<sup>3</sup> In case of centralised systems or projects approved at the beginning of the programme implementation period deviating rules may be agreed.



the-spot checks has to be documented in the first level control report. In case of severe problems identified e.g. in the course of the administrative verifications or audits or essential investments realized in later stages of the project implementation the FLC body shall perform additional on-the-spot verifications.

The FLC certificate, FLC report and checklist to be used in the Alpine Space Programme are online-documents which are filled in directly in the eMS. For this purpose the FLC bodies will be granted restricted access to the eMS in order to complete the FLC documents for those projects and project partners for which the FLC body has been designated. Thus, it is ensured that only official programme FLC forms are used.

FLC bodies have to verify the compliance of the projects with the general principles and compliance with Union policies. For this purpose the control report and check list contain questions related to compliance with public procurement rules and with other EU rules such as:

- the horizontal objective of the promotion of the equality
- the horizontal objective of the protection of the environment and
- Community rules on state aid

Moreover, by signing the FLC certificate the FLC body confirms that it has not found any evidence of:

- infringements of rules concerning sustainable development, equal opportunities and non-discrimination, equality between men and women and state aid
- double-financing of expenditure through other financial source(s)
- generation of undisclosed project-related revenue
- fraud or corruption

## 11. Retention period

Projects (and managing authority, joint secretariat and Member States as regards the technical assistance) are obliged to retain for audit purposes all files, documents and data about the project for a period of three years from 31 December following the submission of the payment claim by the certifying authority to the European Commission including the expenditure of the completed project. For this purpose the managing authority will inform each project individually on the applicable retention period after which keeping of documents is no longer required for the project.

Other possibly longer statutory retention periods as might be stated by national law remain unaffected by this regulation.

Generally the archiving of the documents can be summarised as follows:



- original invoices, accounting documents and supporting documents (e.g. contracts with providers of services or goods, communication material, partnership agreements, employment contracts and assignments to the projects, etc.) at the respective beneficiary (project participants for funding priorities 1-4 of the programme, member states and MA for technical assistance budget);
- status and progress reports, listing of invoices, FLC check lists, FLC reports and FLC certificates will be stored in the eMS;
- it is recommended that FLC bodies keep copies of relevant checked documents;
- accounting documents (e.g. registering the incoming and outgoing ERDF funds) as well as the original subsidy contract and partnership agreement at the lead partner and a copy of the subsidy contract and original partnership agreement at the project partner level
- payment requests of the MA, accounting documents, supporting documents for the payment request, payment orders, applications for payment, payment forecasts at the certifying authority.

The documents can be kept either as originals or in versions to be in conformity with the original on commonly accepted data carriers. In case of retaining the documents electronically, internationally accepted security standards must be met.

Please note: as regulated in the subsidy contract (see article 11) the managing authority, joint secretariat, audit authority, group of auditors, national courts of auditors, the European Commission and the European court of auditors are entitled to examine the project, all relevant documentation and accounts of the project even after its closure.

## 12. Reporting of irregularities

It is the responsibility of all bodies involved in programme and project implementation, in particular also those on national level and beneficiaries, to prevent from, to detect and to correct irregularities and fraud.

- An “irregularity” means “any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.”
- Fraud can be defined as “the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the



general budget of the European Communities or budgets managed by, or on behalf of the European Communities, non-disclosure of information in violation of a specific obligation, with the same effect and the misapplication of such funds for purposes other than those for which they were originally granted.”

Whoever detects irregularities or suspected or established fraud is responsible that these are immediately reported to MA/JS. The MA in consultation with the JS will check the finding and decide whether the irregular amount should be withdrawn or recovered. Withdrawals will be deducted from the next application for interim payment.

In the eMS the description of the finding and the necessary financial corrections (if applicable on invoice level) will be entered into the financial corrections section. In cases where a body different to the FLC concerned enters financial corrections into the eMS a FLC report (e.g. in the form of a writing or email) confirming the necessary corrections (amount, brief description and classification of the financial finding in accordance with the “Guidance for Member States on Drawing the Management Declaration and Annual Summary” is attached to the eMS financial correction module. The CA has to countercheck the finding and the financial corrections and to confirm respectively close them in the eMS. Then the CA will take up the corrections in a CA certificate (eMS) as well as in the debtor’s ledger. On project level will either be set off with the next payment to the project (for the next status or progress report) or – if this is not possible – the lead partner will be asked to reimburse the respective amount to the account of the CA.

In case of irregularities detected after the project closure irregular amounts not higher than € 250 ERDF (calculated on project level) will not be recovered - neither by the LP nor by the MA - in accordance with article 122 (2) CPR.

According to article 3 (1) of CDR (EU) 2015/1970 any irregularity detected that exceeds € 10.000 in contribution from the funds which has been the subject of a primary administrative or judicial finding will be notified by the Member State hosting the beneficiary concerned to OLAF and it will be kept informed of significant progress in related administrative and legal proceedings. The initial report must contain the information as listed in article 3 (2) of the afore-mentioned regulation and must be submitted to the EC. In each Member State national procedures have been defined for the notification of irregularities to OLAF (for details countercheck with national FLCC or ACP).

For all irregularities below € 10.000 in contribution from the funds (regardless which Member State is concerned) the MA will issue an irregularity report and send it to the AA where the reports are collected and archived



In this context it has to be considered that suspected or established fraud has to be reported in any case. Furthermore, irregularities have to be reported - regardless the amount affected. Only in the following cases irregularities do not have to be reported:

- cases where the irregularity consists solely of the failure to execute, in whole or in part, a project included in the co-financed programme owing to the bankruptcy of the beneficiary;
- cases brought to the attention of the managing authority or certifying authority by the beneficiary voluntarily and before detection by either authority, whether before or after the payment of the public contribution
- cases which are detected and corrected by the managing authority or certifying authority before inclusion of the expenditure concerned in a statement of expenditure submitted to the Commission. As a rule it can be said that:
  - Audits on the second level (performed by or on behalf of the audit authority) or on the third level (European Commission, court of auditors) are usually based on expenditure already included in a statement of expenditure submitted to the Commission. Therefore any irregularity having financial impact requires to be reported. The same usually applies for MA sample checks.
  - In case the joint secretariat, managing authority or certifying authority reject a project report or single FLC certificates included in the project report due to irregularities detected the latter ones need not to be reported.
  - In all other cases and in cases where it is unclear if the concerned expenditure was already included in a statement of expenditure FLC bodies shall get in contact with the managing authority to clarify whether the irregularity has to be reported.

## 13. Quality Management

### 13.1. Quality Management by First Level Control Coordinators

Quality management by FLCC bodies starts already in the framework of the authorisation of FLC bodies as the programme and the Member States have defined clear minimum requirements to be fulfilled by controllers willing to take over FLC tasks. Through the rejection of FLC bodies not fulfilling the minimum requirements a certain level of FLC quality can be ensured.





In order to guarantee high quality FLC systems quality management must not end with the authorisation. It is of high importance to train and to instruct FLC bodies on the applicable rules and procedures:

- For FLC bodies authorised for the first time for an Alpine Space project, trainings will be offered by the FLCC body in due time (after the approval of the projects of the respective call for proposals) so that FLC bodies are able to attend such seminars before issuing the first FLC certificates. The trainings shall inform the FLC bodies especially on the programme's eligibility rules and on the certification procedure and forms to be used. As FLC bodies have to use the eMS for the certification process information on the application of eMS will be provided by the JS
- Although the trainings are dedicated to FLC bodies authorised the first time, FLCC bodies are recommended to invite all FLC bodies authorised for projects/project participants of the respective call
- Aiming at standardised and harmonised implementation of the FLC FLCC bodies will distribute programme relevant information, documents and forms to FLC bodies and be contact point in case of questions for FLC bodies (e.g. on eligibility issues)
- In order to avoid repetition of errors the information letter provided by the managing authority on findings and deficiencies detected in audits and controls carried out in the last year will be forwarded to all authorised FLC bodies. FLCC bodies might complement this letter with national information

Beside the above-mentioned efforts quality checks will be performed by FLCC bodies (notwithstanding the final responsibility of the FLC bodies).

The target of FLCC quality checks is to determine if the control systems set up in the Member States effectively function. Thus in particular it should be verified that the expenditure certified by FLC bodies actually complies with Community, programme (especially the eligibility rules defined – see factsheet 1.4) and national rules and that the documentation requirements are met.

For this purpose FLCC bodies are recommended to consider the following aspects when performing quality checks:

- compliance of certified costs with eligibility rules and application form (especially as regards equipment expenditure)
- correct allocation of costs to cost categories
- correctness of calculation of staff costs and availability of necessary documents (e.g. employment contract, project assignment etc.) depending from the staff costs calculation method chosen by the project participant
- check of the plausibility and proper documentation of public procurement procedures



- confirmation of performed necessary on-the-spot-checks on investments.

FLCC bodies can decide to either assess 100% of FLC bodies in their Member State or to perform checks on a sample basis. In the latter case it has to be documented how the sample was drawn.

The results of the FLCC quality checks shall be summarised in a report containing the following information:

- implementation date of quality check,
- FLC certificates selected for quality checks,
- description of checks performed,
- description of findings,
- documentation of check if there is any follow-up pending/needed especially for findings with financial impact,

As first level control is a national responsibility also quality management measures might vary from Member State to Member State.

## 13.2. Quality Management by the managing authority

A "Project implementation handbook" has been set up to provide the (potential) project participants with all the information needed to develop, implement and close a project within the Alpine Space programme. This handbook is a handy tool designed as a collection of factsheets with concise information and guidance on the different aspects to be observed during each phase of the project life cycle.

The MA will perform verifications on the effectiveness of the FLCB on a sample basis before payment claims are made<sup>4</sup>. When selecting the sample on project level, the following selection criteria will be taken into consideration:

- priority of the project
- amount of certified expenses reported on project level
- amount of certified expenses by the FLCB concerned
- LP and PP nationality (optional)

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<sup>4</sup> TA reports might be selected also after inclusion in a payment claim.



MA sample checks will be performed in parallel to JS report checks. Although the JS will proceed with its report checks and even close the reports the MA will not further process project reports selected for MA sample check. That way it is guaranteed that project reports being subject to non-completed MA sample checks are not considered in applications for interim payment as for this purpose project reports must be closed by MA and CA.

Selected projects will be informed on the selection by the MA via email and asked to submit documents to be checked in case they are not available in the eMS. The MA sample checks will be administrative ones and the following ETC specific weaknesses shall be addressed:

- a) audit trail: check of availability and proper completion of FLC certificate, checklist and report,
- b) staff costs: availability and proper completion of project assignment and six monthly task report, documentation of staff cost (e.g. payslips) and if necessary staff cost calculation (e.g. EXCEL file) and compliance with programme rules (e.g. proof of at least one employee in case of flat rate),
- c) public procurement procedures: check of procurement procedures above the EU threshold (EU-wide tender notice, note for file, offers and contract,
- d) revenue generated by operations: request for confirmation on revenues (in case revenues were confirmed by the FLC: documentation/proof/calculation of revenues),
- e) verification checklists: check of availability and proper completion of FLC checklist and report.

In addition the FLC results shall be retraced on general plausibility, and it shall be counterchecked that costs are correctly allocated to budget lines and that programme forms are correctly used.

The check itself will be documented in the MA sample check report. Before finalising the sample check project partners will be given the possibility of commenting the findings or providing further documentation.

The MA will inform the lead partner of the project about the result of the sample check and the necessary correction measures and puts the CA, JS and relevant ACP in copy.

## 14. Legal framework

**Common provisions regulation (CPR):** Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development



and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006

**ERDF Regulation:** Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006

**ETC Regulation:** Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal

**Delegated Acts:** [http://ec.europa.eu/regional\\_policy/en/information/legislation/delegated-acts/](http://ec.europa.eu/regional_policy/en/information/legislation/delegated-acts/)

**Implementing Acts:** [http://ec.europa.eu/regional\\_policy/en/information/legislation/implementing-acts/](http://ec.europa.eu/regional_policy/en/information/legislation/implementing-acts/)

## 15. Contacts

### 15.1. First Level Control Coordinating Bodies

#### 15.1.1. Austria

- Name of the institution: Federal Ministry for Sustainability and Tourism
- Responsible unit: Directorate VII/5 – Regional Policy and Spatial Planning
- Responsible person: Director Georg Schadt / Contact person: Luise Fasching
- Address: Ferdinandstraße 4, 1020 Wien
- Telephone: +43 1 71100 - 612915
- e-mail address: [luise.fasching@bmnt.gv.at](mailto:luise.fasching@bmnt.gv.at)

#### 15.1.2. France

- Name of the institution: Conseil régional Auvergne-Rhône-Alpes
- Responsible person: Jean-Louis Capuano
- Address: 1 esplanade François Mitterrand, CS 20033 - 69269 Lyon Cedex 2
- Telephone: +33 4 26 73 50 28



- E-mail address: [Jean-Louis.CAPUANO@auvergnerhonealpes.eu](mailto:Jean-Louis.CAPUANO@auvergnerhonealpes.eu)

### 15.1.3. Germany

- Name of the institution: Bavarian State Ministry of Environment and Consumer Protection
- Responsible unit: Ref. 25 (Alpine Space Networks, European Macroregional Strategies and Funding)
- Responsible person: Ernst Polleter
- Address: Rosenkavalierplatz 2, 81925 München
- Telephone: +49 89 9214 2165
- E-mail address: [ernst.polleter@stmuv.bayern.de](mailto:ernst.polleter@stmuv.bayern.de)

### 15.1.4. Italy

- Name of the institution: AD HOC COMMITTEE
- Responsible unit: Agenzia per la Coesione Territoriale
- Responsible person: Teresa Costa
- Address: Via Sicilia 162/C - 00187, Roma
- Telephone: +39 06 96517847
- E-mail address: [commissione.mista.cte@agenziacoesione.gov.it](mailto:commissione.mista.cte@agenziacoesione.gov.it)

### 15.1.5. Slovenia

- Name of the institution: Government Office for Development and European Cohesion Policy to be referred to as: GODC (en) or SVRK (si) (as of February 2014 – Official gazette of the RS 15/2014)
  - Responsible unit: Control Division - ETC, IPA and IFM Programmes
  - Responsible person: Ms. Maja Martinšek, Head of Control Division - ETC, IPA and IFM Programmes
  - Address: Kotnikova 5, SI-1000 Ljubljana
  - Telephone: + 386 1 400 3423
  - E-mail address: [maja.martinsek@gov.si](mailto:maja.martinsek@gov.si)
- 
- Contact person:
  - Ms. Janja Mlakar



- Telephone: +386 1 478 3490
- E-mail address: [janja.mlakar@gov.si](mailto:janja.mlakar@gov.si)

## 16. Abbreviations

**AA:** Audit Authority

**ACP:** Alpine Space Contact Point

**CA:** Certifying Authority

**CPR:** Common Provisions Regulation

**CV:** Curriculum vitae

**eMS:** Electronic monitoring system. The eMS enables the monitoring of projects and programme implementation as well as electronic exchange of data between programmes and beneficiaries

**ERDF:** European Regional Development Fund

**ETC:** European Territorial Cooperation

**EU:** European Union

**FLC:** First level control

**FLCC:** First level control coordination

**MA:** Managing Authority

**MS:** Member State

**PP:** Project participant (lead partners and project partners)



## 17. Annexes

Annexes are available at the relevant national pages of the Interreg Alpine Space website (<http://www.alpine-space.eu/national-pages>). For Slovenia, a link is provided below.

- 17.1. France – FLC Terms of Reference
- 17.2. France – Template package
  - 17.2.1. Template for technical annex of the supply
  - 17.2.2. Template for financial annex of the supply
  - 17.2.3. Template for supplies grid analysis
- 17.3. Germany – FLC handbook
- 17.4. Slovenia – Organisational Chart of the Government Office for Development and European Cohesion Policy ([http://www.svrk.gov.si/en/about\\_the\\_office](http://www.svrk.gov.si/en/about_the_office))