

**Interreg  
Europe**



European Union | European Regional Development Fund



*Sharing solutions  
for better regional policies*

# Managing finances

**December 2016 | Lead partner workshop in Berlin**



# Content

1. Remember the basics
2. First level control
3. Progress report
4. Budget lines
5. Public procurement (incl. case study)



# 1. REMEMBER THE BASICS



# Basic principles

- Plan sufficient resources and time
- Put in place solid communication tools
- Agree on timelines and procedures in project partnership agreement or minutes of first meeting
- Be aware of different administrative cultures



# References

- Useful information in the programme manual
- Section 6.2: Reporting
- Section 7: Financial management
  
- See also the Delegated Regulation (EU) 481/2014



# Lead partner principle



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

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



## **2. FIRST LEVEL CONTROL**

# FLC and regulatory requirements



- All expenditure reported has to be certified by an independent controller, before submission to the JS
- MA is responsible for the financial management and control of the programme (Article 125 (4) of Regulation (EU) 1303/2013) but...
- ... the organisation of this control = Partner State responsibility (based on Article 23 (4) of Regulation (EU) 1299/2013: “... *each Member State shall designate the body or person responsible for carrying out such verifications...*”).



# The different FLC systems



## First Level Control

Centralised First Level Control

public controller

private controller

Decentralised First Level Control

shortlist

proposed by  
partner and  
approved by PS



# First level control systems

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

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

+ Validation for Spain and Portugal!



Time for questions...





# **3. PROGRESS REPORT**

# Reporting procedures – timeframe for reporting



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

## EXAMPLE for second call projects

	Reporting period		Deadline for submission
<b>Phase 1</b> (e.g.36 months)	six-monthly	01 Jan – 30 June 01 July – 31 Dec	01 October 01 April
<b>Phase 2</b> (24 months)	annual*	01 Jan – 31 Dec	01 April (first year) 31 Dec (second year)

\* six-monthly reporting under certain conditions

# Reporting procedures – timeframe for reporting



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

**Yes, it is possible!**

# Reporting procedures – timeframe for reporting





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





# Reporting procedures - main steps

- Partner completes list of expenditure and supporting documents
- 
- Controller checks and confirms eligible expenditure
  - ✓ Control report including checklist
  - ✓ FLC certificate
- 
- Lead partner checks and includes expenditure in report

Set a realistic time frame!





# Lead partner responsibilities

- No longer special role for the lead partner's controller!
- The lead partner checks on the basis of:
  - FLC certificate
  - Control certificate incl. checklist
  - List of expenditure + list of contracts
- That:
  - the expenditure is related to the project and corresponds to the activities in the application form
  - the partner expenditure certified by a controller in line with national control requirements (FLC certificate)



Don't re-do the work of the partner controllers!



Time for questions...





# Reporting fully online

## Reporting fully online in the iOLF system! **(no more paper documents)**

- Partner reports
  - (incl. list of expenditure and list of contracts)
- FLC designation (no longer designation certificates for decentralised countries)
- FLC certification
  - (incl. the first level control certificate, the control report incl. checklist, and the financial correction sheet, if applicable)
- Validation (for ES + PT partners)
- Joint progress report



# PR in the iOLF system

## Dashboard

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



# PR in the iOLF system

## Status tab

Home Status

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

Status of the current Progress Report Open

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

ERDF amount reported in this reporting period 0.00

History PR 1

## Finance tab + subtabs

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

Check Collapse All

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

✓ 3.3 Source of funding



# PR in the iOLF system

## Project expenditure tab

### 3.2. Project Expenditure

#### 3.2.1 Budget breakdown per partner per budget line

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

#### Changes from the original plans

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

0 / 3,000 characters

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

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

Justification needed if partners not reporting expenditure

# List of expenditure – partner report

## List of expenditure

Project number:	
Project acronym:	
Name of partner:	
Reporting period:	09/02/2016 - 30/09/2016
Progress report #:	1

Some cells contain formulas. Please be sure to copy them correctly in case you need to add more rows.

A truncation to 2 digits after the decimal point is applied in the subtotals per budget line in 'Total amount in EUR certified by FLC' column

Budget line	**Contract number as indicated in the list of contracts (if applicable)	*Item number as planned in the application form	*Employee/supplier	*Description	Document/ invoice ref. no	Date of document/ invoice	*Date of payment	**Currency	*Gross amount declared (including VAT)	*Is VAT recoverable? (select - yes)	**VAT amount if recoverable	Total amount declared (including VAT if not recoverable) (Automatic calculation)	**Exchange rate	Total amount declared in EUR (Automatic calculation)	*Total amount in EUR certified by FLC	**in case of FLC correction: Error related to
Staff												0.00		0.00		
												0.00		0.00		



# List of contracts – partner report

- Listing **all** contracts used for the implementation of the project (above & below EU thresholds)

## 3.2.4 List of contracts awarded subject to the provisions of EU public procurement directives

Number	Partner	Supplier name	Contracted amount (excluding VAT)	Contracted amount (including VAT)	Procedure applied	Contract type	Reported amount in current report	Previously reported	Reported amount	Comments (optional)
	Please select		0.00	0.00	Please select	Please select	0.00	0.00	0.00	
	Please select		0.00	0.00	Please select	Please select	0.00	0.00	0.00	

+ Add Contract





Time for questions...





# 4. BUDGET LINES



# General principles

## Different levels of rules

- European: EU regulations
- Programme
- National
- Partner/institutional



# General principles

## CONSISTENT

- allocate the expenditure to the right budget line

## JUSTIFIED

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

## COHERENT

- reported activities and finances have to match



# Eligibility - points of attention

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

# Eligibility - Financing of joint activities



**No shared costs!**

Share  
activities, not  
costs!

Contracting partner principle applies



Contracting partner = the only one reporting  
and receiving the ERDF!





# Eligibility - points of attention

Prior approval from JS necessary for the following items (if not already specified and approved in the application form) :

- Activities/travel outside the programme area
- Promotional material
- Equipment



# Eligibility period

- Eligibility period
  - From: 05/10/2016 (approval by monitoring committee)
  - To: project end date
- Submission date of last report = project end date = end date of eligibility of costs
- Last 3 months before project end date: administrative project closure

Start the project implementation as soon as possible!





# Preparation costs

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

- Covers costs linked to the preparation of the application
- Added only to the reported lead partner's expenditure in progress report 1
- Distribution among partners regulated internally by project partnership agreement – only lead partner reports to the programme!
- **No supporting evidence required!**



# Budget lines

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

Only for staff  
directly employed  
by the partner  
organisations

# Staff costs (principles)



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

Programme manual section 7.2.1 & Delegated Regulation (EU) 448/2014, Article 3



# Staff costs (calculation)

What does your contract say?

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

Special national rules might apply (NL + BE-VL)



# Administration costs

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

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



# Travel and accommodation

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

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



# External expertise

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

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



# Equipment

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

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





# Dealing with changes

- Budget may slightly change during the implementation of your project.

**How to deal with such small changes?**

Programme manual section 6.3.5



# The flexibility rule

- Budget line and partner's budget at **project level (total!)** can be exceeded by up to 20% of the original amount without formal approval by JS
- total ERDF/Norwegian funding allocated to the project cannot be exceeded
- overspending of partners/in budget lines needs to be compensated by underspending of other partners/in budget lines
- Deviations justified in the PR



# The flexibility rule

- Lead partner to agree on the changes in cooperation with partnership
- Lead partner to keep an overview on all the budget changes → Problems may occur if budget flexibility not monitored closely
- JS to advice, but FLC responsible to confirm the eligibility of the costs



Time for questions...



## CASE STUDY



# 5. PUBLIC PROCUREMENT MATTERS!



# Public procurement

- No programme-specific rules
  - Section 7.4.6 Public procurement of the programme manual
  
- Public procurement applicable rules\*
  - the EU public procurement directives (Directive 2014/24/EU)
  - national rules
  - internal rules of the partner organisation

\* The stricter rule must always be applied

# Public procurement

## Most common mistakes

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

# Public procurement

Direct award - Common **non-justified** reasons:

“urgency”

“the only  
one”

“more economic  
– no cost for  
training new  
person”

“good value  
(based on old  
comparison)”



# Public procurement

Direct award - Common **non-justified** reasons:



- Objective reasons needed (**the market should prove**)



“involved in several Interreg projects and usually supported by an external company for the day-to-day project management.”



“involve  
and  
externa



jects  
n  
o-day



# Main steps

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



**CASE STUDY - END**



# Next steps

- Ask partners to get to know their FLC system
- For decentralised systems:
  - Procure and contract first level controller
  - Ask national designation body to approve the controller
    - ✓ designation checklist
    - ✓ designation certificate
- Agree on deadlines
  - Partners reporting to their controller
  - Partners reporting to lead partner

Don't leave it to the last minute! Procurement and designation take time.

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for better regional policies*

# Thank you!

Questions welcome



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