

European Union | European Regional Development Fund

#### **Managing finances**

9 April 2019 | Lead Partner Seminar, Brussels



#### Content



- 1. Remember the basics
- 2. First level control
- 3. Reporting procedures
- 4. Budget lines
- 5. Interactive exercise

### Remember the basics



#### **Basic principles**

I. Plan sufficient resources and time



II. Put in place solid internal communication tools

III. Agree on timelines and procedures

IV. Be aware of different administrative cultures



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



#### References

- Useful information in the programme manual:
  - Section 6.2: Reporting
  - Section 7: Financial management

See also the Delegated
 Regulation (EU) 481/2014



#### First Level Control



**FLC and regulatory requirements** 

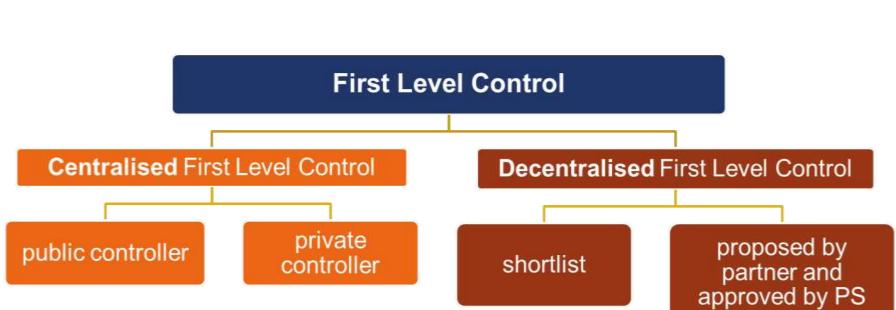


 All expenditure reported has to be certified by an independent controller, before submission to the JS

The organisation of this control = Partner State responsibility



Legal basis: Art. 23 (4) of Regulation (EU) 1299/2013



#### The different FLC systems

#### **First level control systems**

### 1

#### **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 Portugal & Spain !



#### Conclusions



- LP asks partners to get to know their FLC system as soon as possible
- For decentralised systems:
  - Procure and contract first level controller
  - Ask national approbation body to approve the FLC

**Tip 1**: Procurement and designation take time.

Don't leave it to the last minute !

## Time for questions



## Reporting procedures





## **Reporting procedures – timeframe for reporting**

Example: 4<sup>th</sup> call project

	Rep	orting period	Deadline for submission
Phase 1 (e.g. 36 months)	six-monthly	1 August – 31 January 1 February – 31 July	1 May 1 November
Phase 2 (12 months)	annual	1 August – 31 July	1 August

#### **Reporting procedures – main steps**



- 1. The **project partner** completes the list of expenditure in iOLF (partner report)
- 2. The **FLC** checks and confirms eligible expenditure
- Control report including checklist
- FLC certificate
- 3. The **lead partner** checks and includes partner reports in the joint progress report
- Tip 2 : Set a realistic frame!

# **Reporting procedures – timeframe for reporting (I)**



1 May 2020

Possible to have a sound financial reporting in place and to be able to report costs in full and on time by 1 May 2020?





## **Reporting procedures – timeframe for reporting (II)**

Partners reporting to their FLC:

- Fill in report continuously during semester
- Submission to the FLC shortly after the end of the reporting periods

# **Reporting procedures – timeframe for reporting (III)**



Partners reporting to their LP:

Submission of partner reports early enough to compile PR

Tip 3: Agree on internal deadlines!



#### **Reporting procedures – Lead partner responsibilities**



The **lead partner** checks the partner reports on the basis of:

- The FLC certificate
- The control report incl. checklist
- The list of expenditure + list of contracts

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



### **Reporting fully online (I)**



#### Reporting is fully online through iOLF system:



NO submission of paper documents to JS

### **Reporting fully online (II)**



In iOLF:

- 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 & checklist)
- Validation (for ES + PT partners)
- Joint progress report

### **Reporting fully online (III)**



In iOLF:

Partner reports can be created anytime

 Joint progress report is opened by the JS at the end of the reporting period

#### **Getting you started**





Welcome to the Interreg Europe online application and reporting system

+) Log in
bject "IOLF

The use of iOLF signifies unconditional acceptance to the terms and conditions.

#### **Invite your partners**

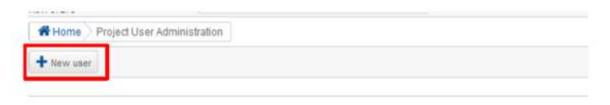


Step 1: create new user

Project user widget

Project Users		Se User /	Administration
Number	Organisation (english)	Email	Status
LP			Active

New user



#### **Invite your partners**



Step 2: Manage the partner's rights

- Full admin rights
- Partner write rights
- Read only



Step 3: Partner's confirmation

#### **FLC access to iOLF**



Centralised FLCs exist in the system already

 Decentralised FLCs need to contact their Approbation body once they are selected and approved, to be assigned to the project partner in iOLF

#### **Project users vs. Partner contact details**



Project History	9				roncy manual	ent Progress 👩	1.00	Com policy inside	
Title	Version	Status	Last	t Updated	Report	Period	Status	Last cha	nge
Progress report 1		Open		VebApi 017 11:38:37	Report on policy instruments for PP	01/01/2018 - 30/05/2018	Open	WebAc 30/05/2017	
Application Form		Submitted 30(55/2017 06:40 a.niechajowicz@interregeurop a.eu		e.eu 9.eu 917 09:41:05	Partner's repo	orts 😝		+ P#	ther Report
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2 Call - Finar	soe seminar - A	gends - updated - Copy.pdf	232.00 k	8 26/06/2017	Number	Organisation (English)		mail	Status
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Partner Conta	t Detail	0	+ Partner	Contact Detail	PP 10	Partner J	partner.)(	Øsenikier.eu	Active
Partner Versio	s Status	Last Change							

#### Manage contact details

- The only place where contact details are edited
- Partner details can be changed by partner & LP
- Make sure contact details always up-to-date

artner (	Contact I	Detail 🚯	Please select V Partner Contact Detail
Partner	Version	Status	Last Change
LP	1	Valid	k.ecke@interregeurope.eu 14/04/2017 15:57
PP 2	1	Valid	k.ecke@interregeurope.eu 14/04/2017 15:57
PP 3	1	Valid	k.ecke@interregeurope.eu 14/04/2017 15:57
PP 4	1	Valid	k.ecke@interregeurope.eu 14/04/2017 15:58







Check our video tutorial!

https://www.interregeurope.eu/projects/implement-a-project/?menuoption-selection\_2=5120b



#### Video tutorials on reporting in iOLF



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Joint progress report in IOLF (webinar + tutorial)	> Ca
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For newly approved projects (webinar)	>
IOLF for first level controllers (tutorial)	>
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#### Find what you are looking for

6

Low-carbon economy

relcome to the help and guidance area for implementing a roject. The fields to the left allow you to filter down resources ased on your role in the project implementation or the type of iformation required.

#### What is your role?

elect whether you are a lead partner, partner or first level ontroller.

#### Type of information required?

Filter by type to find links to key documents, tutorial videos, emplates and other guidance.

#### Can't find what you are looking for?

We try to include all the information you will need across roles. However, if you think something is missing, please let us knowl





If you liked the previous guidance page better, click below.

See previous version



#### **Report online**

Interreg Europe's online reporting system is accessible in the same way as the application system. It will open near the end of your reporting period.

Submit your progress report

https://www.interregeurope.eu/projects/implement-a-project/

Info bubbles

Help

- Check button
- Error messages

Video tutorials on reporting in iOLF

https://www.interregeurope.eu/projects/implement-a-project/



· Exchange rates need to be refreshed.





## Time for questions



#### **Budget lines**



### **General principles (I)**



Different levels of rules:

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

#### **General principles (II)**



### CONSISTENT

allocate the expenditure to the right budget line



unforeseen expenditure items or over/underspend needs to be justified



reported activities and finances have to match

### **General principles (III)**



### Eligibility of costs is determined by the relevance of the activities!

#### Costs necessary to

- Carry out the project activities
- Achieve the project objectives



### **Eligibility period**

 Eligibility period from project approval by monitoring committee (26 March 2019) to project end date



Submission date of last report = project end date
 = end date of eligibility of costs

### **Eligibility – Financing of joint activities**



### No shared costs ! Contracting partner principle applies



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



Prior approval from JS necessary for items not already specified and approved in the application form, e.g.

- Activities/travel outside the programme area
- Promotional material (e.g. gadgets)
- Equipment

### **Preparation costs**



- Lump sum of EUR 15,000 per project attributed to LP
- Covers costs linked to the preparation of the application
- Added only to the reported lead partner's expenditure in PR1
- Distribution among partners regulated internally by project partnership agreement – only lead partner reports to the programme!



### **Budget lines**

- Staff
- Administration costs (15% flat rate)
- Travel and accommodation
- Equipment (only if planned/preapproved)



External expertise and services

### **Staff costs: principles**

For partner staff only (employment contract)

Not for staff employed by other bodies even if

- 100% owned by partner
- seconded to partner
- they are members (of association, umbrella organisation)
- if seated in partner organisation



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





Full-time on project? > Real cost charged
 Fixed % on project? > % of real cost charged

**If the hourly rate indicated in the contract** > hourly rate option (only applicable in some specific countries!)

### Staff costs: fixed percentage



- 1. Full-time on project? > Real cost charged
  - NO timesheet
     mission letter
- 2. Fixed % on project? > % of real cost charged
  - NO timesheet
     mission letter

### **Public procurement (I)**



#### No programme-specific rules

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

Programme manual section 7.5.6

### **Public procurement (II)**

### 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 (II) Direct award - Common non-justified reasons





### **Public procurement (II)**

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



Objective reasons needed (the market should prove)

### **Dealing with financial changes**



 Budget may slightly change during the implementation of your project.

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

# 20% Flexibility rule, not requiring JS pre-approval!



Programme manual section 6.3.5 'Changes in the budget'

### Phase 2 lump sum



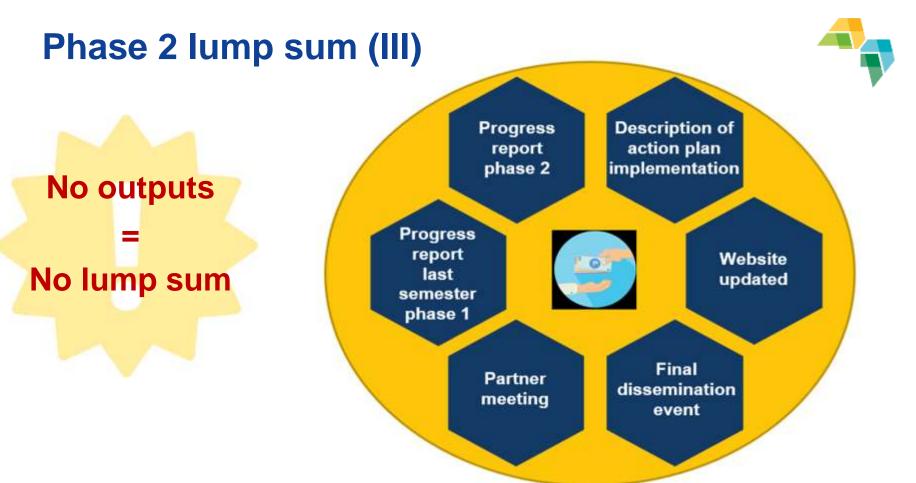
- EUR 17,000 per policy instrument addressed
- Coverage of all costs related to predefined phase 2 activities
- Allocated to the LP's budget and paid out with approval of last PR
- Shared among the partners on the basis of the project partnership agreement

### Phase 2 lump sum (II)





- No content related activities should be scheduled in the last 3 months of phase 1
- Make sure to pay out all costs related to phase 1 activities by the end of phase 1
- No real costs reporting in phase 2!



### Phase 2 lump sum (IV)



- No supporting documents needed to prove that costs have been incurred and paid out
- Only supporting documents proving the delivery of phase 2 outputs
- No costs needed for FLC in phase 2 b done by JS
- No FLC costs needed for the last report of phase 1 included in the lump sum

Check out section 7.4 programme manual

## Time for questions



### **Practical exercise**





One of your project partners would like to produce umbrellas with the project's logo to promote the project among their stakeholders. They ask if they could report the costs to the programme.

This was not planned in the application form.

What is your response?



A. You agree to your project partner's request

B. You are not sure whether these costs can be considered as promotional material so you double-check with the JS

C. This was not planned in the application form so costs are not eligible





### When reporting staff costs, do you need to provide timesheets?

- A. Yes
- B. No



No timesheet is needed when making use of a **fixed percentage** (100% or less)

BUT **mission letter** required (issued at the beginning of the reporting period: think about it asap!)



### Interreg Europe event ends on Thursday, 11/04

# From Friday,12/04, what are the steps you are going to take care of **for reporting in PR1**?



Next steps for reporting:

- Check out the FLC system applicable in your country and ask your project partners to do the same
- If decentralised FLC system, start procedure to procure and contract FLC
- If decentralised FLC system, check out steps to have your FLC approved by approbation body





### For which costs you do not have to prove that expenses have been incurred and paid out?



No real costs reporting for:

- preparation costs covered by lump sum
- administration costs calculated as 15% flat rate on staff costs
- costs for phase 2 pre-defined activities covered by lump sum







#### Interreg Europe secretariat

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> info@interregeurope.eu www.interregeurope.eu



### **Back up slides**



### Partner report in the iOLF system (I)



#### Expenditure

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List of Expenditure 0									
Budgetline		Total hodget	Previously reported	Currently reported	Certified amount	Total reported so far	% of Total reported so far	Remaining bodge	
Staff conta	*	105.000.00	0.00	0.00	0.00	0.00	0.00%	106,000.0	
Offlice and administration		15,750.00	0.00	0.00	0.00	0.00	0.00%	15,790.0	
Travel and accommodation	90	12.000.00	0.00	0.00	8.00	0.00	0.00%	12.000.0	
External expertise and services	4	53,200.00	0.00	0.00	0.00	0.00	0.00%	\$3,200.0	
Equipment	*	0.00	0.00	0.00	0.00	0.00	0.00%	0.0	
(Net Revenue)		0.00	0.00	0.00	0.00	0.00	0.00 %	0.0	
Total		185,950.00	6.90	0.00	6.00	0.00	0.00 %	185,050.0	
irtner expenditure breakd	lown per	source of funding							
		Total	ERDF/Norway Total pa		artner contribution	Partner contribution public cources	from Partin	Partner contribution from private sources	
Declared by Partner		0.00		0.00	0.00		0.00	0.00	
Cartified by FLC		0.00		0.00	0.00		0.00	00.D	

# Partner report in the iOLF system (II)List of contracts

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

lumber 0	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	<b>^</b>	

Dhaca 2	Number of policy	Lump sum for phase 2 for the	
Phase 2	instruments monitored	whole partnership in EUR	
lump sum	3	51,000	
	4	68,000	
	5	85,000	
Ave	6	102,000	
Average €17,000 p instrume	Of 7	119,000	
instrume	Per 8	136,000	
	9	153,000	
	10	170,000	
	11	187,000	
	12	204,000	
	etc	etc.	69

### The flexibility rule



Section E.1 of the application form - E.1 Budget breakdown per budget line and partner

Partner	Preparation costs	Staff costs	Office and administration	Travel and accommodation	External expertise and services	Equipment	Revenues	Total partner budget
1.	15,000	220,000	33,000	23,000	10,000	0	0	. 301,000
2.	0	60,000	9,000	20,000	37,500	0	0	126,500
2.	0	\$51,100	22.665	17,000	66,600	3,000	0	200,365
4.	0	94,500	14,175	17,000	24,500	0	0	150,475
5.	0	116,000	17,400	11,000	29,685	. 0	0	174,085
6.	0	152,900	22,947	20,500	56,293	0	0	252,720
7.	•	125,000	18,750	23,500	97,250	0	0	254,500
	0.97 %	59.34 %	8.90 %	8.52 %	22.05 %	0.19 %	0.00 %	
Total	15,000	919,580	137,937	132,000	342,128	3,000	0	1,549,645

Total partner budget!

### 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