

**Interreg
Europe**



European Union | European Regional Development Fund

Finance Seminar 4th call projects

21-22 January 2020 | Budapest





INTRODUCTION



Our goal

To provide:

- Information on financial reporting and control procedures and requirements
- Practical case studies
- Room for your questions
- Opportunity to exchange on financial matters with financial managers and first level controllers of other projects



Before we start...

Main abbreviations

- FLC = First level controller
- LP = Lead partner
- PP = Project partner
- JS = Joint secretariat
- MA = Managing authority
- PM = Programme manual (not ~~project manager~~ 😊)
- PR = Progress report
- AF = Application form



1. FINANCIAL REPORTING: LEGAL FRAMEWORK AND PROCEDURES

Petra Geitner

Head of Unit – Finances & Audit | Interreg Europe
Secretariat

p.geitner@interregeurope.eu

Anne Rocheteau

Finance Officer | Interreg Europe Secretariat

a.rocheteau@interregeurope.eu

Ilaria Piazza

Coordinator – Project Finances | Interreg Europe
Secretariat

i.piazza@interregeurope.eu

Vincenzo Capocasale

Finance Officer | Interreg Europe Secretariat

v.capocasale@interregeurope.eu

Content



1. Reporting procedures
2. Lead partner's role
3. First level control



1. REPORTING PROCEDURES

Timeframe for reporting



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

	Reporting period		Deadline for submission
Phase 1	six-monthly	01 Aug. – 31 Jan. 01 Feb. – 31 July	01 May 01 November
Phase 2 (12 months)	annual	01 Aug – 31 July 01 Aug. – 31 Jan.	31 July (36 and 48 months projects) 31 Dec. (42 months projects)

Reporting procedures



What are the main steps?



Is it option 1?

1

- Project partners send their reports incl. list of expenditure and list of contracts to **their FLCs** through iOLF

2

- **The FLCs** verify and confirm the eligibility of the expenditure reported by the respective project partners in iOLF

3

- The lead partner consolidates and submits the joint progress report to the JS



Is it option 2?

1

- Project partners send their reports incl. list of expenditure and list of contracts to **the lead partner** through iOLF

2

- **The FLC of the lead partner** verifies and confirms the eligibility of the expenditure

3

- The lead partner consolidates and submits the joint progress report to the JS



Reporting procedures

Option 1 or 2?





Option 1!

1

- Project partners send their reports incl. list of expenditure and list of contracts to **their FLCs** through iOLF

2

- **The FLCs** verify and confirm the eligibility of the expenditure reported by the respective project partners in iOLF

3

- The lead partner consolidates and submits the joint progress report to the JS



Preliminary steps

- During the first reporting period project partners:
 - ✓ have signed the project **partnership agreement**
- **ONLY** partners who signed the project partnership agreement can report costs!



Preliminary steps

- During the first reporting period project partners:
 - ✓ have identified the organizations responsible for first level control at the Partner State level

- If **decentralised** control systems:
 - ✓ FLC designated by the national approbation body **through iOLF**

Ready for the reporting procedures!



Main steps

1

PPs fill the partner reports and submit them to their FLCs through iOLF



Submit to the FLC

Where to report ?



- **Online** in the iOLF: all reporting
- **Offline**: Providing the supporting documents (invoice, payment proofs, procurement documents, etc.) **to FLC**



1

Partner's report includes :



- Partner's activity summary
- The list of expenditure
- The list of contracts

Activity summary



- Use = to provide information to the FLC on the activities carried out.
- Can be filled in national language
- The only tab that is not compulsory ! Not included in the joint progress report



JS will not check it

1

The list of expenditure



4. List of Expenditure i

Do any corrections linked to previous PRs have to be implemented in the current PR? i

Budgetline i	Total budget	Previously reported	Currently reported	Certified amount	Total reported so far	% of Total reported so far	Remaining budget
Preparation	15,000.00	15,000.00	0.00	0.00	15,000.00	100.00%	0.00
Staff costs ✓	199,300.00	34,333.25	40,999.86	0.00	75,333.11	37.80%	123,966.89
Office and administration	29,895.00	5,149.99	6,149.97	0.00	11,299.96	37.80%	18,595.04
Travel and accommodation ✓	33,055.00	1,946.76	3,964.76	0.00	5,911.52	17.88%	27,143.48
External expertise and services ✓	33,600.00	1,275.38	7,652.85	0.00	8,928.23	26.57%	24,671.77
Equipment ✓	0.00	0.00	0.00	0.00	0.00	0.00%	0.00
(Net Revenue)	0.00	0.00	0.00	0.00	0.00	0.00%	0.00
Total	310,850.00	57,705.38	58,767.44	0.00	116,472.82	37.47%	194,377.18



1 The list of expenditure



Costs incurred and paid by the partner in the reporting period

- For PR1: eligible from **26 March 2019** until 31 January 2020 (no costs paid out after!)
- Preparation costs lump sum automatically allocated to the lead partner report



1 The list of expenditure



Descriptions in the list of expenditure:

- self-explanatory
- clear link with reported activities/outputs planned in AF

▶ E.g. flight ticket, 2 staff members attending project meeting 1, Dublin 12-15/10/2019

1 The list of expenditure



Why is it so important?

- Finances have to match the activities
- Costs in PR reported against expenditure planned in AF



- Expenditure in list of expenditure coherent with reported activities + costs planned in AF!

1 The list of contracts



- For costs related to travel and accommodation, external expertise and equipment
- Listing **all** contracts used for the implementation of the project (above & below EU thresholds)

3. List of contracts

Contract number	Supplier name	Contracted amount (excluding VAT)	Contracted amount (including VAT)	Above EU threshold	Procedure applied	Contract type	Partner comments	FLC comments
P06-01	[REDACTED]	1,600.00	1,600.00	<input type="checkbox"/>	Negotiated procedure without prior publication	Services	Travel and accomodation for 2 stakeholder representatives to participate in the thematic seminar [REDACTED]	

+ Add Contract

 Only contracts above EU thresholds should be transferred to the joint progress report : tick the box 'above EU threshold'

1 EU or not EU threshold?



	Threshold for all public law bodies	Threshold for all central government authorities (this is a limited list, if you are on it you usually know it!)
Signed since 2018 Commission Delegated Regulation (EU) No 2017/2365	221,000€ * VAT excl.	144,000€ * VAT excl.
Signed since 2020 Commission Delegated Regulation (EU) No 2019/1828	214,000€ * VAT excl.	139,000€ * VAT excl.



Thresholds applicable during 2 years

Tab. List of contracts



What to include?

- ✓ 'Classical' contracts
- ✓ Any written contractual agreement
 - e.g. confirmation emails or purchase orders

What NOT to include?

- ✗ One-off purchases
- ✗ Oral agreements
 - since not documented

1

How to fill it in?



- Contracted amount
- in case there is no contractual amount → indicate the amount budgeted which allowed to determine the procurement procedure to apply.



1

How to fill it in?



■ Procedure applied

▼ Explanations for public procurement procedures

Open Procedure	Any interested supplier may respond to an advertisement in the OJEU (or another publication if below EU thresholds) by submitting a tender/offer.
Restricted procedure	Any interested supplier may respond to an advertisement in the OJEU (or another publication if below EU thresholds) From those a selection is made to submit a tender/offer.
Competitive procedure with negotiation	Any interested supplier may respond to an advertisement in the OJEU. From those a selection is made and invited to submit an initial tender/offer. The contracting authority may then open negotiations with the potential suppliers to seek improved offers.
Competitive dialogue	Any interested supplier may respond to an advertisement in the OJEU. From those a selection is made and the contracting authority enters into dialogue with potential suppliers, to develop one or more suitable solutions for its requirements and for which chosen potential suppliers will be invited to submit a tender/offer.
Innovation partnership	Any interested supplier may respond to an advertisement in the OJEU. From those a selection is made and the contracting authority uses a negotiated approach to invite suppliers to submit ideas to develop innovative works, supplies or services aimed at meeting a need for which there is no suitable existing 'product' on the market. The contracting authority is allowed to award partnerships to more than one supplier.
Other EU-level procedure	For instance, dynamic purchasing system.
Request for several offers	Several potential suppliers are directly addressed and invited to submit tenders/offers.
Negotiated procedure without prior publication	= direct awards. The contracting authority may approach one or more potential suppliers seeking to negotiate the terms of the contract.



Main steps

2

FLCs check the expenditure and fill the control report including checklist in iOLF



Partner reports certified!



Main steps

3

PPs send their **certified** partner reports to the LP through iOLF.



Submit to the lead partner

The partner report includes:

- First level control certificate including checklist
- Certified list of expenditure including the list of contracts
- Contact details (updated version if needed)
- PP's activity report (not compulsory)



Main steps

4

The LP consolidates the partner reports in the joint progress report (PR) in iOLF

The **lead partner's FLC** does not need to check the partners' reports



Partner report consolidation



If needed, LP asks Partners
for clarifications



Partner's report may need to be re-
certified !



Main steps

5

Submission of the joint PR to the joint secretariat (JS) within three months after the end of reporting period

1 May 2020

for the first Joint Progress Report



Main steps

6

Clarification and/or approval of the joint PR



Main steps

7

Execution of payment by
the certifying authority



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 May 2020?**



Timeframe for reporting



Partners reporting to their FLC:

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



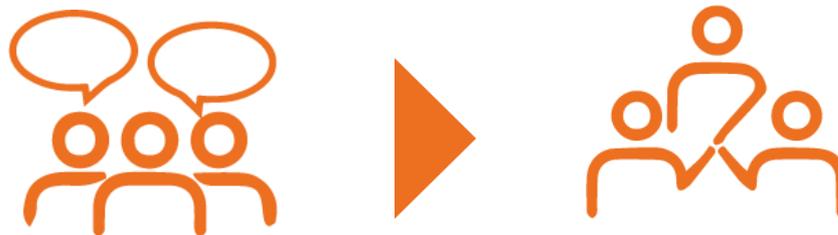
Timeframe for reporting



Partners reporting to LP:

- Submission of partner reports **early enough** to compile PR

Agree on **internal deadlines!**



References

- Useful information in the **programme manual**:
 - Section 6.2: Reporting
 - Section 7: Financial management
- Tutorials on the reporting process are available [online](#)



<https://www.interregeurope.eu/projects/guidance/>

Time for questions...





2. LEAD PARTNER'S ROLE IN REPORTING PROCESS



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





LP role in reporting

The LP checks that:

- **each partner report** is clear enough i.e. description concrete and self-explanatory (check description of items)
- **the expenditure** is related to the project and corresponds to the activities in the application form

Partner report consolidation



The LP consolidates the partner reports in the joint progress report

- The expenditure is already certified by a controller (in line with national control requirements)



Do not re-do the work of the partner's controllers!

Partner report consolidation



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

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

Partner report consolidation



LP can ask PPs for clarifications:

- **minor change** : LP makes changes in the partner's report
- **major change** : LP sends back the partner report (new FLC certification)



PP + FLC always informed!

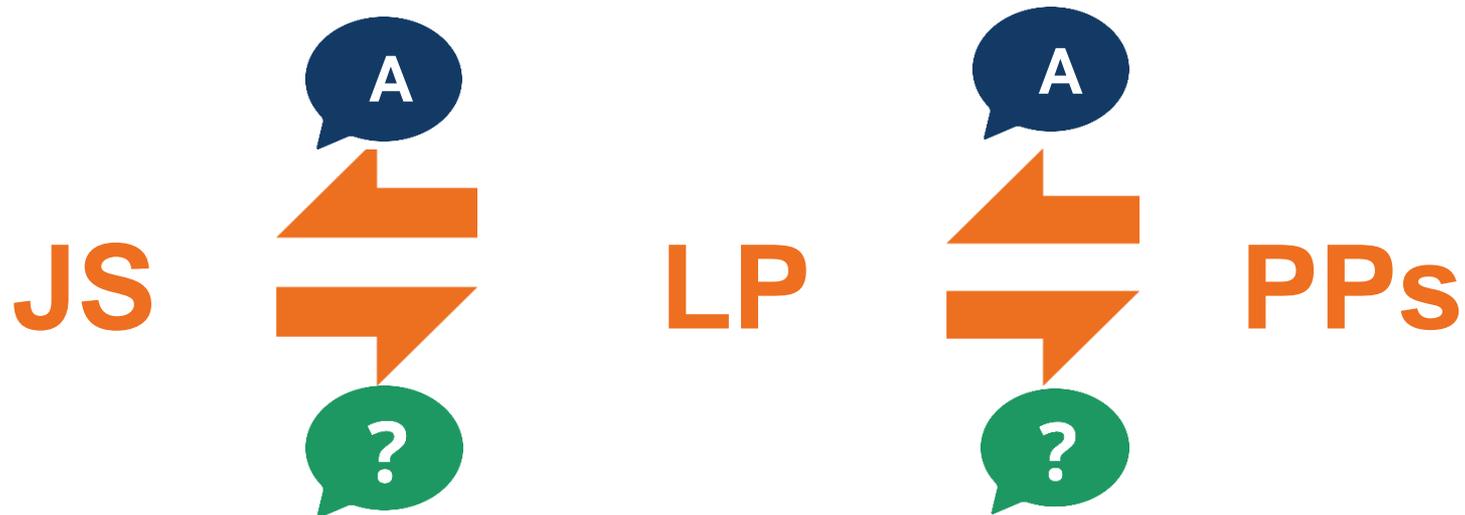




LP role in reporting process

After the submission of the joint progress report, the LP:

- answers to the list of clarification requests sent by the JS





LP role in reporting process

After the approval of the progress report, the LP:

- receives the payment of the programme funding;
- transfers the programme funding to project partners **without delay** (!) in compliance with the amounts stated in the progress report.

To sum up the whole process



- The **project partner** completes the list of expenditure and provides supporting information (partner report)



- The **FLC** checks and confirms eligible expenditure



- The **lead partner** checks and includes partner reports in the joint progress report

Ready to submit your 1st PR by 1st May 2020 !

Set a realistic time frame!



3. 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

Centralised

public controller

private controller

Decentralised

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 body for Spain and Portugal!*

Where to find more about FLC?



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Austria (Österreich) =

Scroll down for information about the bodies responsible for Structural Funds programmes and about the first level control or ask directly Interreg Europe representative in Austria (Österreich).

Anna Maria Kramann

☎ [+43 \(1\) 53 53 444 21](tel:+431535344421)

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Organisation

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FLCs: what ?

First level controllers (FLCs) verify and confirm:

- the compliance of the costs with
 - ✓ the approved application form
 - ✓ the subsidy contract/ partnership agreement
 - ✓ the applicable European regulations
 - ✓ the national/internal rules
 - ✓ Interreg Europe programme manual

- the delivery and payment of funded products and services



FLCs checks: where ?

Desk checks	On-the-spot checks
Each partner report (compulsory)	Usually once during the project lifetime Reg. (EU) 1303/2013 Art. 125 (5) when: by last report of phase 1

If FLC performs a check with sampling methodology, it must be justified in control report



On-the-spot checks

In the context of Interreg Europe, they are useful to check in more depth :

- the proper functioning of internal processes (ordering, accounting, payment)
- the existence & delivery of goods and services (meetings with staff, publications, equipment)



FLC checks: how ?

The FLC checks the expenditure reported in iOLF by the partner in its partner report

- on the basis of the control report including checklist (Annex 3 of PM)
=> minimum requirements for the controller's checks.



CHECKED



FLC checks: how ?

The FLC certifies the expenditure and fills the programme key documents in iOLF :

- First level control report
 - First level control certificate
- + *additional tick for validation for Spain and Portugal*



Sum-up FLC procedure

- ✓ PPs reporting to their FLC
 - ✓ PPs submit their partner report to the FLC **shortly after** the end of a reporting period
- ✓ FLC's verifying and validating reports or sending clarification requests if needed
- ✓ PPs replying to FLCs clarification requests
 - **Be aware of FLC deadlines and holiday breaks !**



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

Don't leave it to the last minute!

Procurement and designation take time

References

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



Time for questions...

