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Start me up

Reporting procedures and legal framework

24 September 2024

Interreg Europe training days
Lille, France

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What will you get from today?

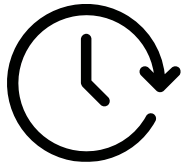
Understand financial reporting and control procedures work

Practice with case studies

Ask your questions

Exchange with financial managers and controllers of other projects

Content of this presentation



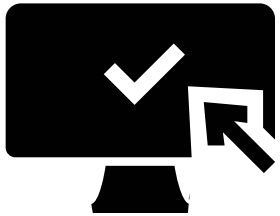
1 hour

1. Legal framework
2. Eligibility period and eligibility principles
3. Reporting process
    - General principles
    - Verification of expenditure
    - Lead partner’s responsibilities
4. Audit and anti-fraud policy
5. Monitoring project budget

Main terminology & abbreviations

- JS = joint secretariat
- MA = Managing Authority
- MC = Monitoring Committee
- LP = lead partner
- PP = project partner
- APA = Associated policy authority
- PR = progress report
- Portal = programme's monitoring system

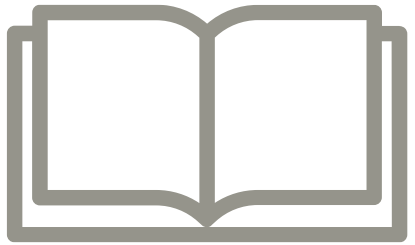
https://www.interregeurope.eu/glossary-terms



1. **Legal** framework

Recommended **reading**

- Subsidy contract
- Programme manual (latest version)
- Regulation (EU) No 1059/2021 (*Interreg regulation*)
- Regulation (EU) No 1060/2021 (*Common provision regulation*)
- Regulation (EU) No 1058/2021 *(ERDF regulation)*
- EU Directive on public procurement



2. Eligibility period and eligibility principles

Eligibility period

Eligibility period from project approval

- by the monitoring committee **(12 Dec 2023)**
- to the project end date **(30 June 2028)**

APPROVED

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

Reporting periods and deadlines

Progress report	Reporting period	Deadline for submission
First (= PR1)	**12/12/2023 (*)** – 30/09/2024	**02/01/2025** (= 3 months after the end of the reporting period)
PR2	01/10/2024 –31/03/2025 (six months)	01/07/2025
PR3	01/04/2025 – 30/09/2025 (six months)	02/01/2026
PR4	01/10/2025 – 31/03/2026 (six months) *Midterm review*	01/07/2026
PR5	01/04/2026 – 30/09/2026 (six months)	02/01/2027
PR6	01/10/2026 – 31/03/2027 (six months)	01/07/2027
PR7	01/04/2027 – 30/09/2027 (six months)	02/01/2028
Last (= PR8)	01/10/2027 – **30/06/2028 (**)** (nine months)	30/06/2028 (= end of the project = end date of eligibility)

Reminder

Only partners that have signed the **partnership agreement** can report costs!

3. Reporting process

General principles

General **principles**

Different levels of rules

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

General **principles**

CONSISTENT

the expenditure allocated to the right cost category

JUSTIFIED

unforeseen expenditure items or over/ underspending needs to be justified

COHERENT

reported activities and finances have to match

General **principles**

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

Costs necessary to:

- Carry out the project activities
- Achieve the project objectives

Points of **attention**

Prior **approval from JS** necessary for items not already specified and approved in the application form

For example:

- Activities/ travel outside the programme area
- Equipment
- Infrastructure and works

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Questions ?

3. Reporting process

Verification of expenditure

Regulatory requirements for control system

The organisation of control systems

→ Partner State responsibility

Centralised control

Decentralised control

Legal basis:

Art. 74 of Regulation (EU) No 2021/1060

Art. 46 of Regulation (EU) 2021/1059

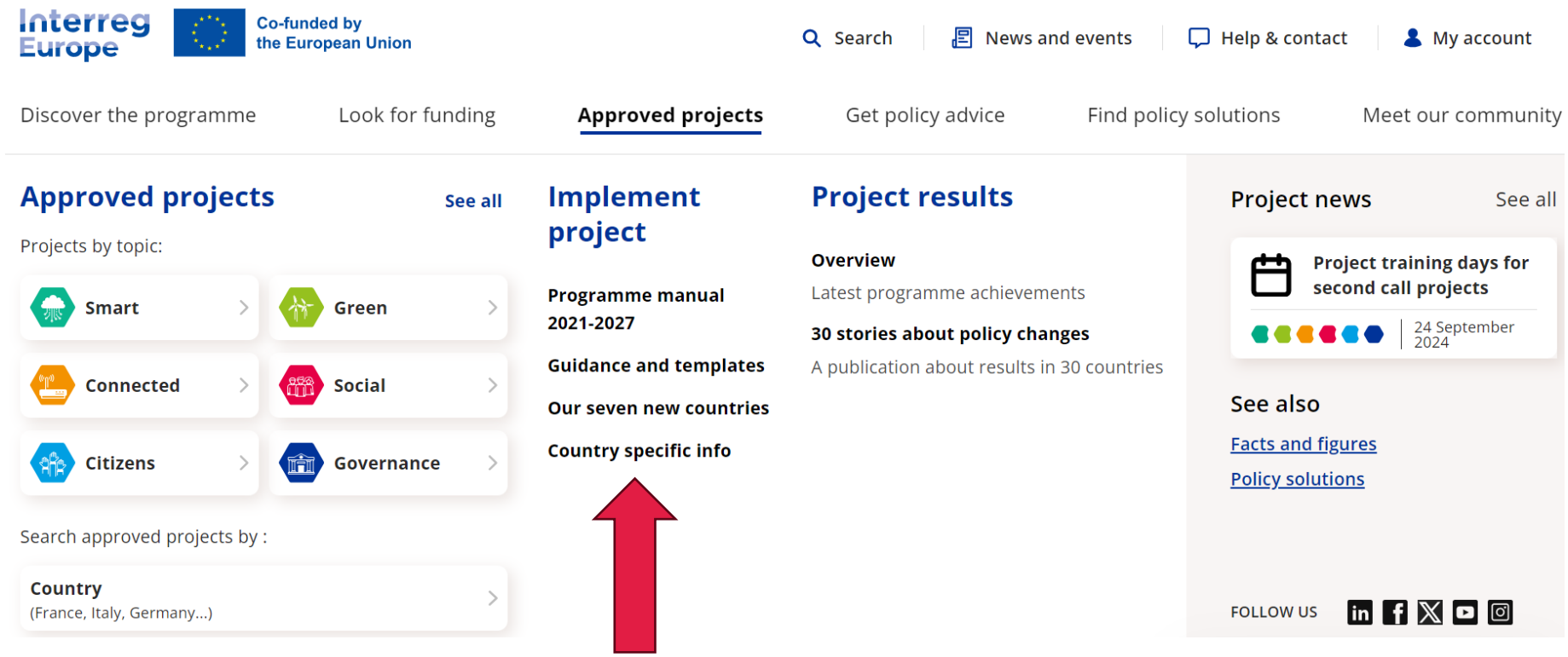
The different **control systems**

Centralised control	**Decentralised control**
Albania, Belgium (Brussels + Wallonia), Bosnia & Herzegovina, Bulgaria, Czech Republic, Croatia, Estonia, Finland, Greece, Hungary, Ireland, Latvia, Luxemburg, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovenia, Slovakia, Sweden, Ukraine	Austria, Belgium (Flanders), Cyprus, Denmark, France, Germany, Italy, Lithuania, Malta, Moldova, Netherlands, Norway, Portugal (+ validation), Spain (+ validation)
Directly **appointed by Control body**	Controller needs **to be contracted by the PP and approved by Approbation body** (sometimes there is shortlist)

Controller's **access to Portal**

Access granted by the national **Control/Approbation body**

Information about the national control systems on the website



What do controllers check?

- **Partnership agreement** signed (*in 1st PR*)
- The list of expenditure is complete (*descriptions are clear and self explanatory, in English, 1 cost per line, etc.)*

- **Contracts** and procedures
- **Proof of delivery and payment** of services and products

- Invoices and all supporting documents comply with programme's, national and EU rules
- All costs are in line with activities reported

Where do controllers check?

- List of Expenditure section in partner's financial report
- Upload all supporting documents on **Portal**

→ **online**

- Potentially 1 On-the-spot-check in the project lifetime
- No need to send paper version

How do controllers check?

The controller certifies the expenditure and fills in Portal:

- **Control checklist and report**
- **Control certificate**

Appendix 3 of programme manual (templates)

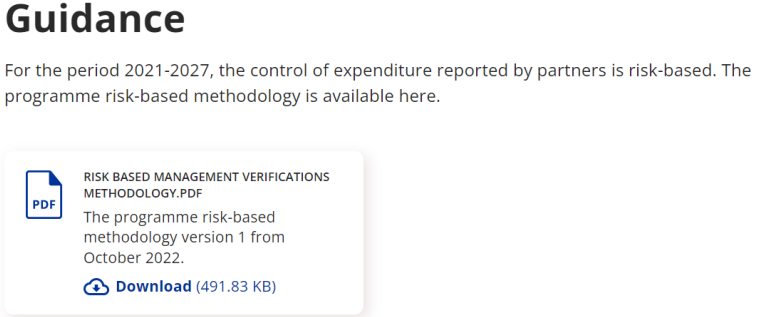
+ additional step for validation for Spain and Portugal

NEW

Sample methodology

- Made through **Portal**

- **Sample**:
  - 10 lines in staff costs → **1 cost per line** (1 month = 1 line)
  - 10 lines from other costs categories



- Controller may extend the sample and check all items

Keep in mind!

Make best use of the time!

You can already:

- Fill in your report
- Have your controller selected with access to Portal
- Monitor your partners' advancement and support them to get ready on time!

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Questions ?

3. Reporting process

Lead partner's responsibilities

Lead partner principle

Lead partner:

- formal **link** between the project and the managing authority/joint secretariat
- **responsible** for management, communication, implementation and coordination of activities

Role of the lead partner **in the reporting**

The LP checks that:

- each financial report is **clear enough**

  → i.e. descriptions = concrete and self-explanatory

- the expenditure is **related to the project** and corresponds to the activities in the application form

Including financial reports in the progress report

The LP consolidates the financial 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!

Lead partner's role in **reporting process**

After the submission of the progress report, the LP:

→ answers to the list of **clarification requests** sent by the JS

Lead partner's 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.

Reporting **procedure**

1. LP compiles financial reports into a joint progress report (PR)
2. LP submits PR to Joint Secretariat (JS)
3. JS checks and sends back clarification requests
4. LP submits revised PR and replies to the clarifications
5. JS approves PR when all requests clarified
6. Accounting body transfers Interreg funds to LP (1 month)
7. LP transfers Interreg funds to partners quickly

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Questions ?

4. Audit and anti-fraud policy

Quality checks and 2nd level audits

Second Level Auditors

Région Hauts-de-France

CURIA RATIONUM
EUROPEAN COURT OF AUDITORS

European Commission

National checks

What is **fraud**?

Irregularity

Error/mistake

→ ***Correction***

≠

Fraud

Intentional

→ ***Correction***
+ Investigation

What is fraud?

IRREGULARITY	FRAUD
Reported same **invoice** twice	Charged invoice for **goods not received**/for **personal gain**
Error in the calculation of **staff costs**	Staff costs claimed for 80% while **only 30% actually worked** on the project
Travel costs of director reported as **stakeholder travel costs**	Travel costs of staff members **systematically** reported as stakeholder travel costs
Tendering process did not fully comply with all the requirements	Terms of reference drafted so that **only one particular company** can meet the requirements

Anti-fraud strategy

Main risks identified in our programme:

- **Staff costs reported** do not correspond to the reality
- **Public procurement** (conflict of interests, contract splitting)
- **Double financing**

Ref. Programme Manual sections
- 6.9 Anti fraud policy
- 6.5 Preventing fraud in public procurement

Fraud risks

Fraud risks may be at the level of:

- the beneficiary staff
- the external contractors
- collusion between the two
- JS / staff (conflict of interest, corruption…)

→ **conflict of interest policy** has to be in place

How can the MA/JS be informed ?

- Whistleblowing email for general public/beneficiaries

lanceur.alertes@hautsdefrance.fr

- Controller reports to JS audit officer - template available on website (*Appendix 4 in Programme Manual)*

www.interregeurope.eu/anti-fraud-policy

Further potential measures

- **Police investigation**
- **National court**

5. Monitoring **project budget**

Project's mid-term review

What?
→ A meeting between the JS and the LP

When?
→In the first semester of 2026

Why?
→Discuss the state of play of policy improvement
→Discuss the spending rate of the project
→Discuss whether the project is requesting a pilot action or not

Project's mid-term review

In case of **significant underspending** faced by the project:

→ discuss whether the project will be able to spend its total budget or not

→ if not, it may lead to a budget reduction proportional to the amount of underspending

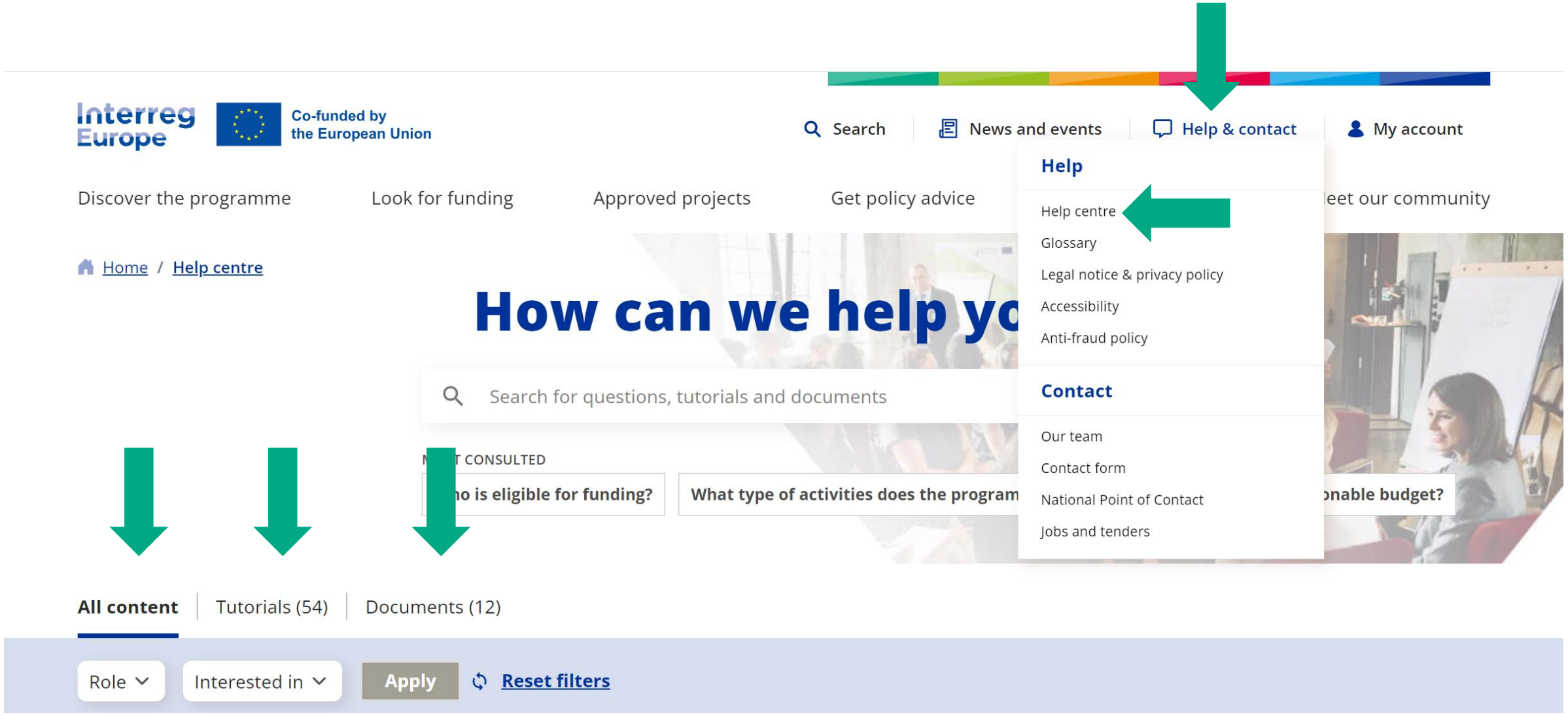
Funds returned to the programme will be used to support other activities

Project partners not reporting costs

Partners not reporting any expenditure after 2 semesters:

- JS issues a warning to LP and informs the Partner State
- If no costs reported in third PR + not due to circumstances outside its control = **project partner's budget reduced taking into account its spending plan**
- If budget reduction = will be implemented **after the mid-term review meeting**

Where to find **answers?**



Stay tuned: upcoming webinar on reporting

Online Q&A session on 17 **October**

→For all partners

→To answer questions related to finances and financial reporting in the Portal

→Specific focus for new project partners coming from the 7 EU candidate countries

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Thank you!

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