

CENTRAL EUROPE PROGRAMME 2007-2013



Lead Partner Seminar
Vienna, November / December 2009

FIRST LEVEL CONTROL AND PAYMENT

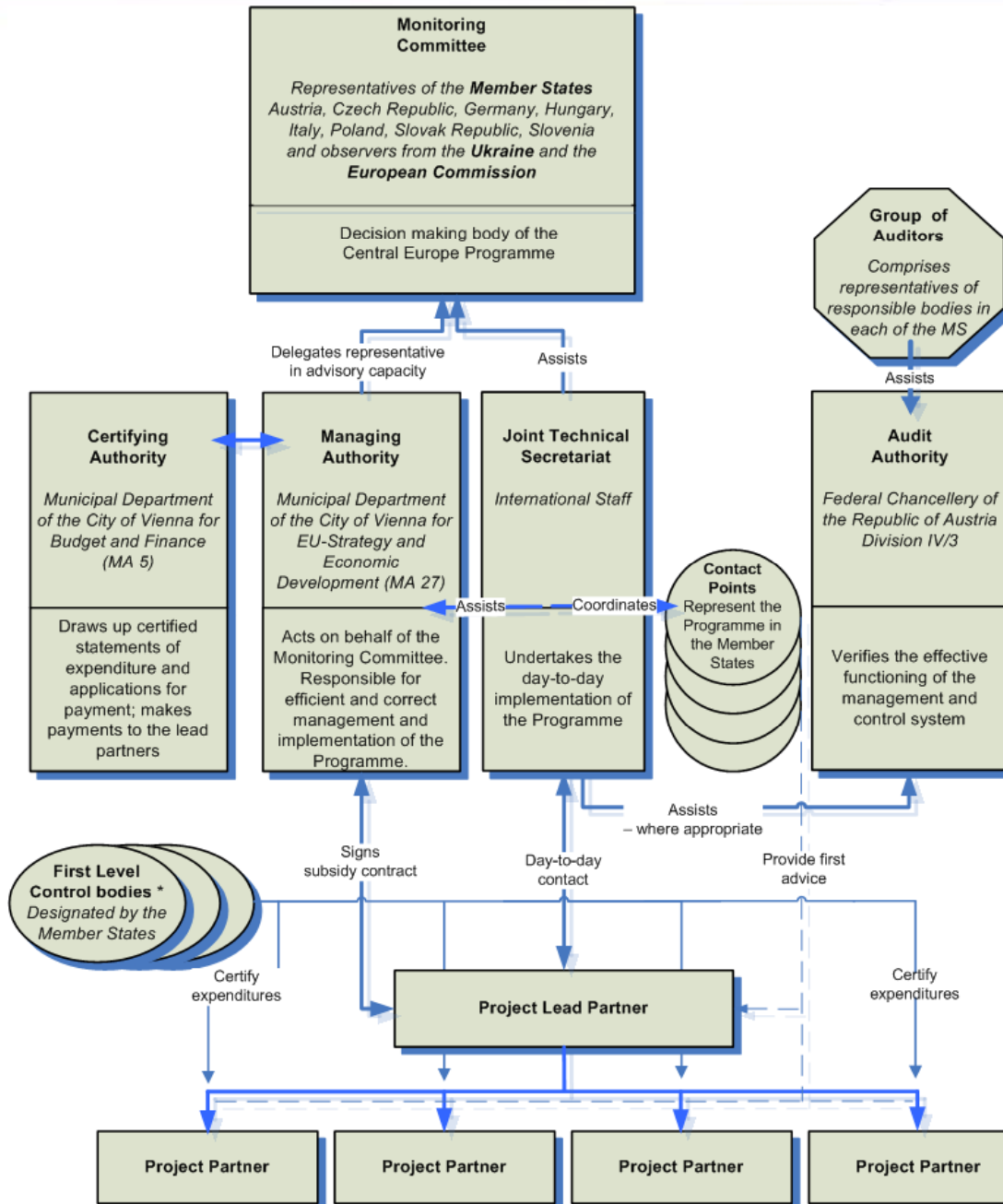
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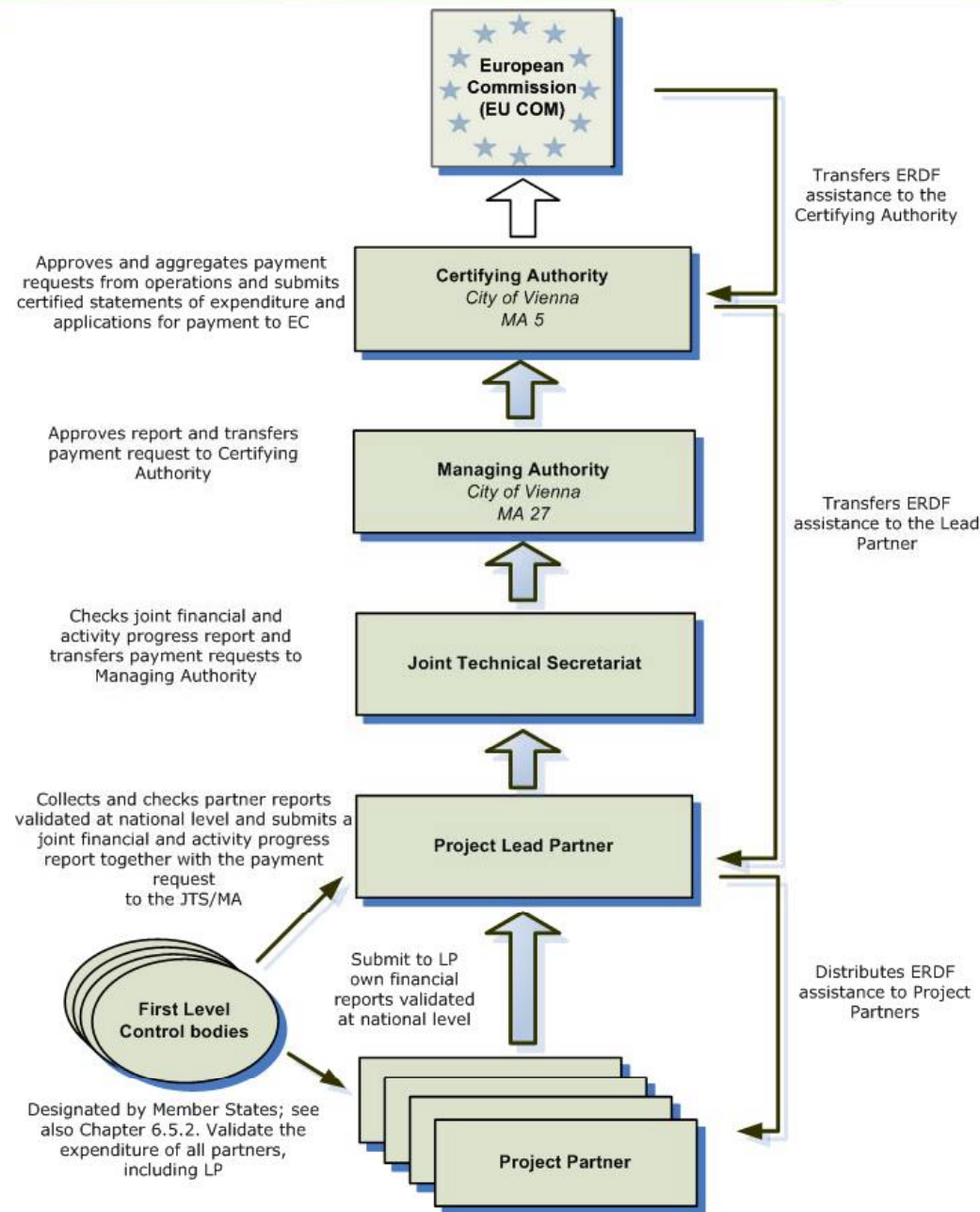
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1. Structure of the Programme and flows



1. Structure of the Programme and flows



2. Eligibility of expenditure

Legal basis of eligibility

- ✓ Regulations:
 - Regulation (EC) No 1083/2006 "General Regulation" (Art. 56)
 - Regulation (EC) No 1080/2006 "ERDF Regulation" (Art. 7)
 - Regulation (EC) No 1828/2006 "Implementing Regulation" (Art. 48 to 53)
- ✓ National rules
- ✓ Programme rules:
 - Control and Audit Guidelines



The stricter rule applies!

2. Eligibility of expenditure

Horizontal principles of eligibility

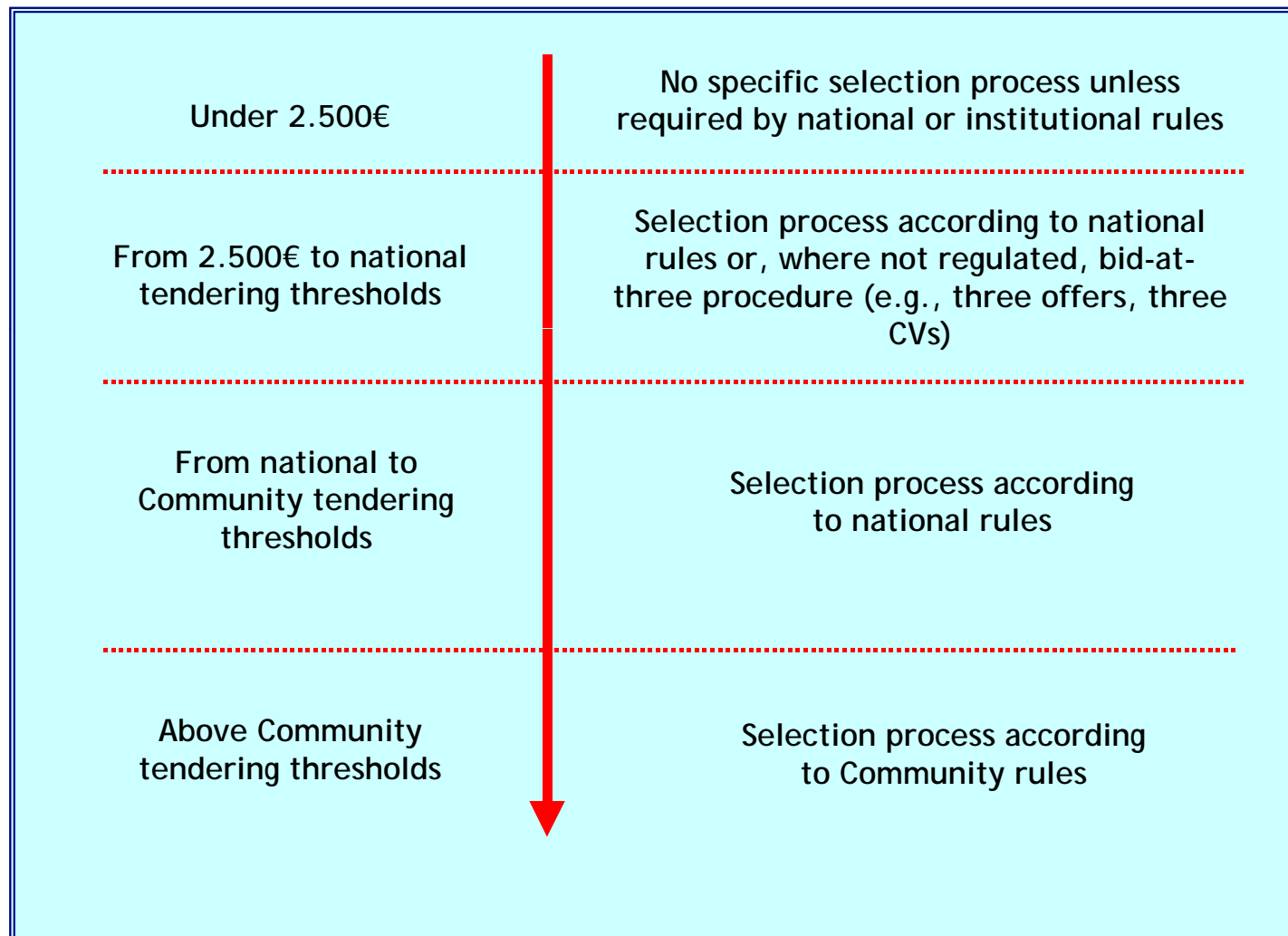
- ✓ Public procurement:
 - Article 2(5) of Regulation (EC) 1083/2006
 - Directive 2004/18/EC of 31st March 2004
- ✓ Equality between men and women and non-discrimination:
 - Article 16 of Regulation (EC) 1083/2006
- ✓ Environment protection and sustainable development:
 - Article 17 of Regulation (EC) 1083/2006
- ✓ State Aid:
 - Article 54 of Regulation (EC) 1083/2006
- ✓ Publicity rules:
 - Article 69 of Regulation (EC) 1083/2006



2. Eligibility of expenditure

Focus on public procurement

Principle of cost efficiency



2. Eligibility of expenditure



Focus on public procurement - in-house subcontracting

The following requirements must be fulfilled:

- ✓ The public body awarding the contract must exert on the “in house” society an analogous control to that exercised upon its own internal services (**no participation of a private enterprise to the society, even if in a minority share**)
- ✓ The “in house” society must carry out the main part of its tasks for the awarding public body.

Costs of the contracted company must always be charged on a real-costs basis, thus without any profit margin!



2. Eligibility of expenditure



General eligibility principles

1. The expenditure is actually paid (**proof of payment**);
2. It refers to activities implemented and settled within the scope of a project as approved by the Monitoring Committee;
3. Its amount is adequate for achieving the purpose of the project;
4. It is not in contradiction to specific eligibility criteria.

General principles of **sound financial management** (i.e., economy, efficiency and effectiveness) are respected



2. Eligibility of expenditure



In-kind contribution

Shall be eligible upon the following conditions:

- ✓ They are eligible according to national eligibility rules;
- ✓ They consist of the provision of land or real state, equipment or raw materials, research or professional work or unpaid voluntary work and their value can be independently assessed and audited;
- ✓ They are below 5% of the total partner's budget and do not exceed 5.000€ per partner;
- ✓ The amount of ERDF co-financing does not exceed the total eligible expenditure excluding the value of such contributions.



2. Eligibility of expenditure



Not eligible expenditure

- ✓ VAT which is recoverable by whatever means even if it is not actually recovered by the partner;
- ✓ Interest on debt, fines, financial penalties, expenditure on legal disputes and foreign exchange losses;
- ✓ Costs for bank guarantees;
- ✓ Acquisition of land.



3. First Level Control system



Centralized FLC

- ✓ Czech Republic
- ✓ Hungary
- ✓ Poland*
- ✓ Slovakia
- ✓ Slovenia

More info in:

www.central2013.eu

Country specific section

Decentralized FLC

- ✓ Austria (with restrictions, i.e. **no possibility to choose the controller**)
- ✓ Germany (PPs can choose the controllers but **must be approved**)
- ✓ Italy (PPs can choose the controllers but **must be approved**)
- ✓ Poland* (only for Marshal Offices, Voivodes, Ministries and Central Offices and **must be approved**)

3. First Level Control system



Selection of controllers (for decentralized systems)

- ✓ Internal controller from an independent office OR
- ✓ External controller



The following must be ensured:

1. Qualification
2. Independence



- ✓ They have to be indicated in the **Subsidy Contract** (for the LP) and in the **Partnership Agreement!**
- ✓ **Public procurement** has to apply in case of external controller

Contact the national coordination body ASAP!

3. First Level Control system



Validation of expenditure by the controller

- ✓ Delivery of the products and services co-financed;
- ✓ Reality of the expenditure claimed;
- ✓ Eligibility of the expenditure according to Community, national and Programme rules;
- ✓ Compliance of the expenditure with Community rules;
- ✓ Adequacy to the purpose of implementing the operation;
- ✓ Existence and effective functioning of an accounting system on the level of each partner

1. Confirmation of control
2. Internal control report
3. FLC checklist



Templates in the Control & Audit Guidelines

4. First Level Control in practice



Supporting documents to be provided to the controller

- ✓ Documents proofing the expenditure (not exhaustive):
 - Salary slips (plus: contract, timesheet, service orders, etc.)
 - Invoices (plus: tender documents, contract, deliverables, calculation method for indirect administration costs, depreciation of equipment, agenda, list of participants, minutes, etc.)
 - Travel documents (plus: mission authorization, agenda, list of participants, minutes, etc.)

- ✓ Documents proofing the payment (not exhaustive):
 - Salary slips
 - Bank statements



4. First Level Control in practice



Focus on staff costs

- ✓ Must be calculated on the basis of the actual salary rate stated in the regular employment contracts;
- ✓ Must be based on real worked hours (keep full time records);
- ✓ Performance bonuses or other additional payments are eligible only if foreseen in the signed contract, national or internal regulations (ad-hoc regulations applicable only to the project not allowed), unless not-eligible according to national rules.



Voiding of original documents

In order to avoid double funding, voiding of originals must take place. Minimum information:

1. Number and acronym of the project
2. Reference to CENTRAL EUROPE Programme



- ✓ Description in the object of the invoices
- ✓ Stamp on the originals



4. First Level Control in practice



Audit trail

According to the Art. 6 of the Subsidy Contract, the LP:

"...ensures that all supporting documents required for an adequate audit trail regarding expenditure incurred and payments made are recorded, stored on commonly accepted data carriers ...

...ensures that the PPs are made aware of these requirements."



- ✓ To keep a full and traceable record of all documents (accounting system)
- ✓ To organize an archive dedicated to the project



Keeping of documents at least until 31 December 2022



Further information and technical support

- ✓ FAQs dedicated to the project implementation in the CENTRAL EUROPE web site
- ✓ Financial seminar open to all Lead and Project Partners (scheduled in the first quarter of 2010)
- ✓ National FLC seminars



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THANK YOU!

