

Financial reporting and First level control

Financial Seminar

Helsinki | 01 December 2017

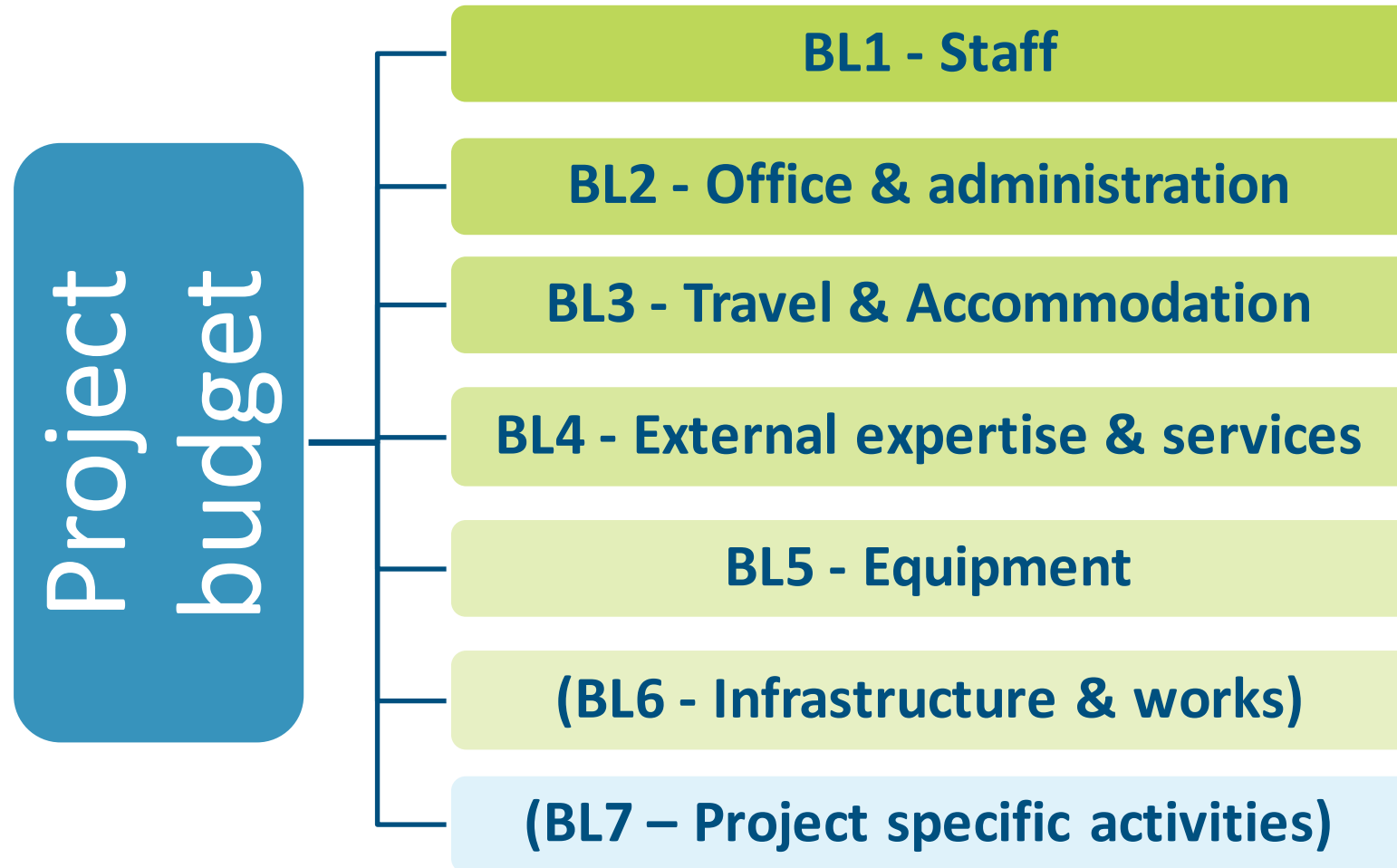
Rostislav Zatloukal, Managing Authority/Joint Secretariat

Content

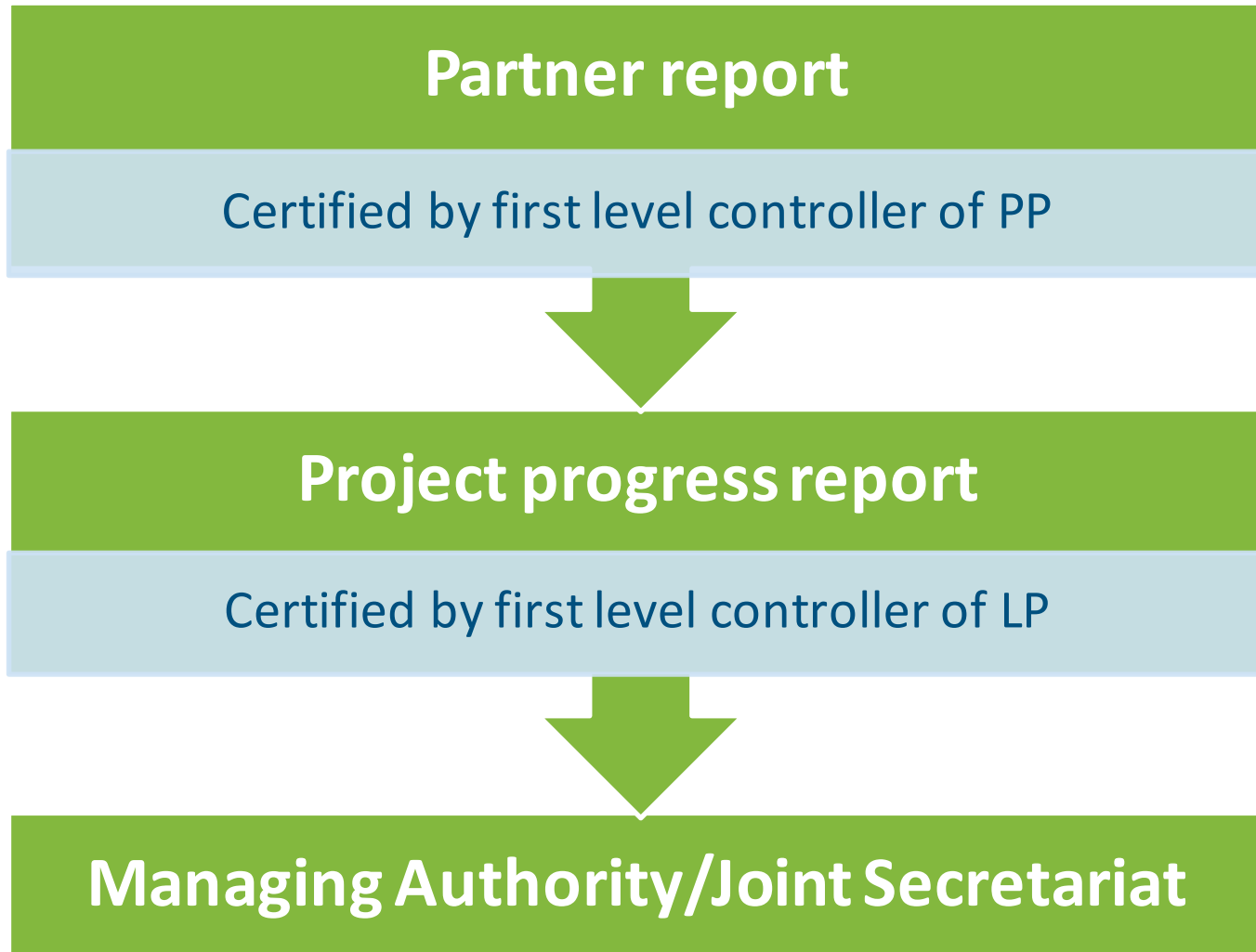
- Reporting & payments
- General principles & eligibility rules
- Budget lines & eligibility of costs
- Audit & control
- First level control

Reporting & payments

Budget lines



Reporting



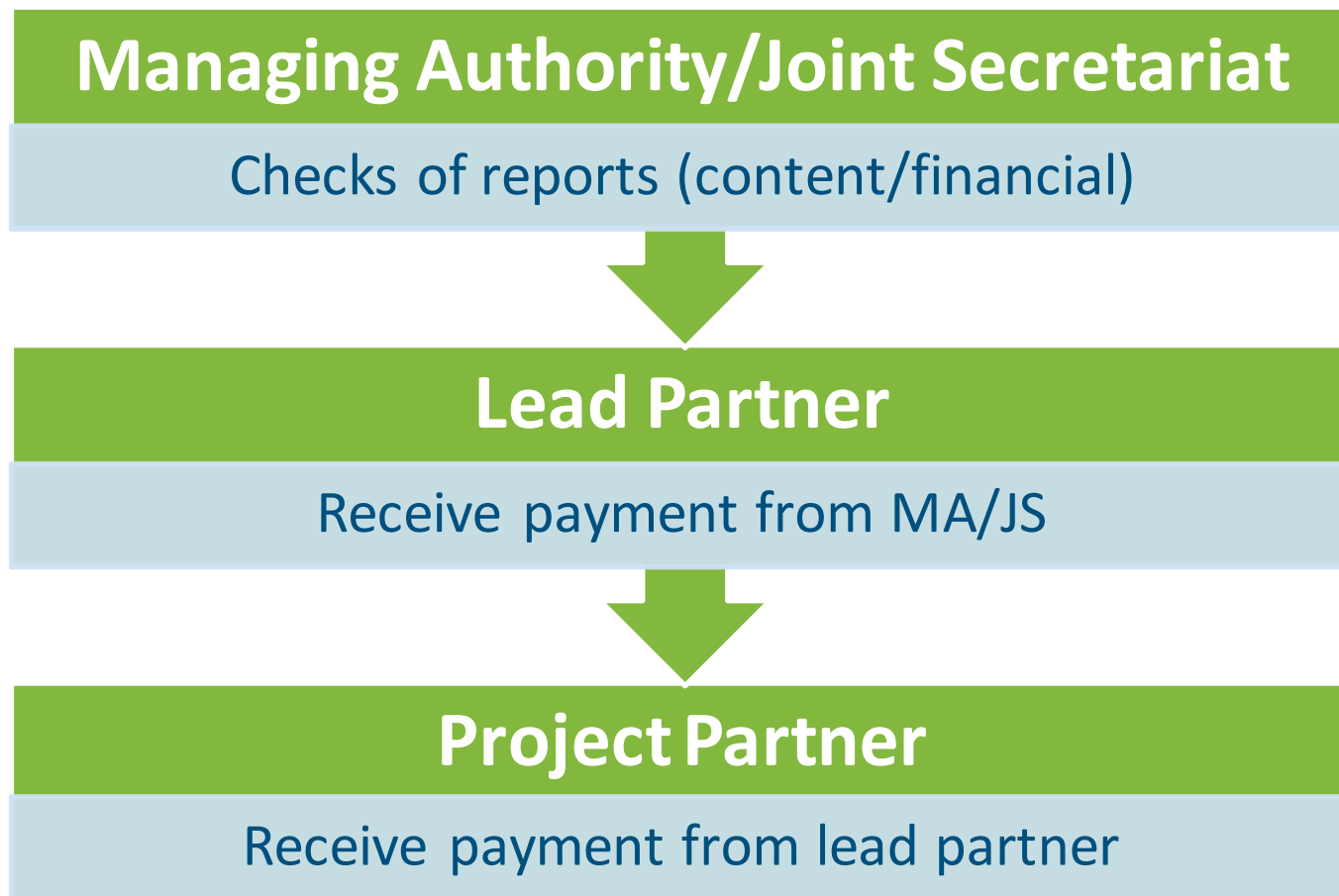
Partner report in pdf

Validate & finalise & print

Progress report in BAMOS



Monitoring and payment



Reporting process

- **Mandatory tools**
 - ✓ Staff cost tool
 - ✓ Partner report
 - ✓ FLC report and checklist
- **Online monitoring system BAMOS**
 - ✓ access by LP, PP, FLC
 - ✓ additional documents to be uploaded
- **Submitted twice a year**
 - ✓ in six-month reporting periods

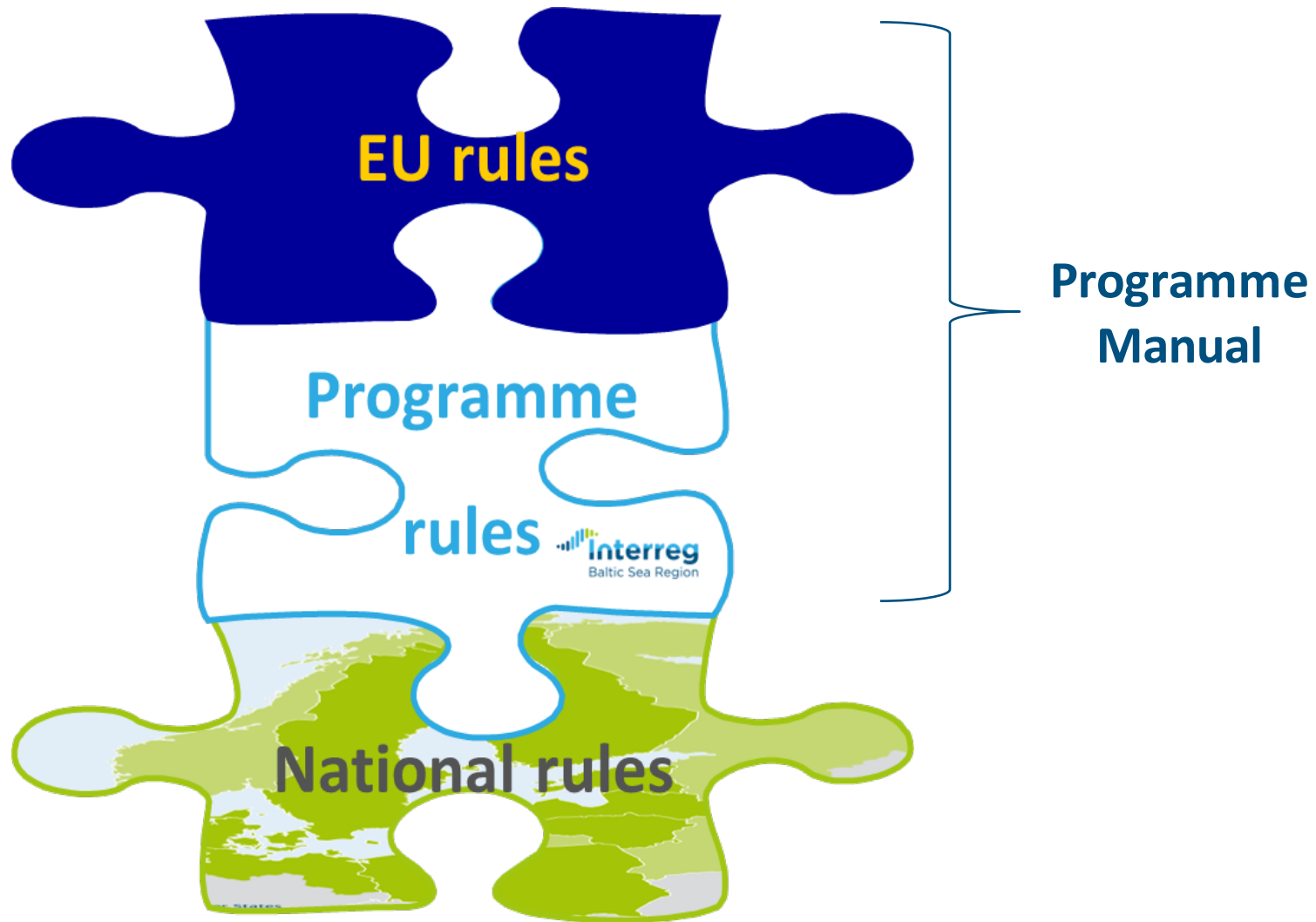
Documents in BAMOS

- Partnership agreement (by LP)
 - ✓ Before project partner submits 1st payment request
 - ✓ At the latest: Due date of progress report 2
- FLC approbation (from PPs with decentralised FLC system)

With each progress report (from each PP):

- Partner report
- FLC confirmation
- FLC report & checklist





General eligibility rules



General principles

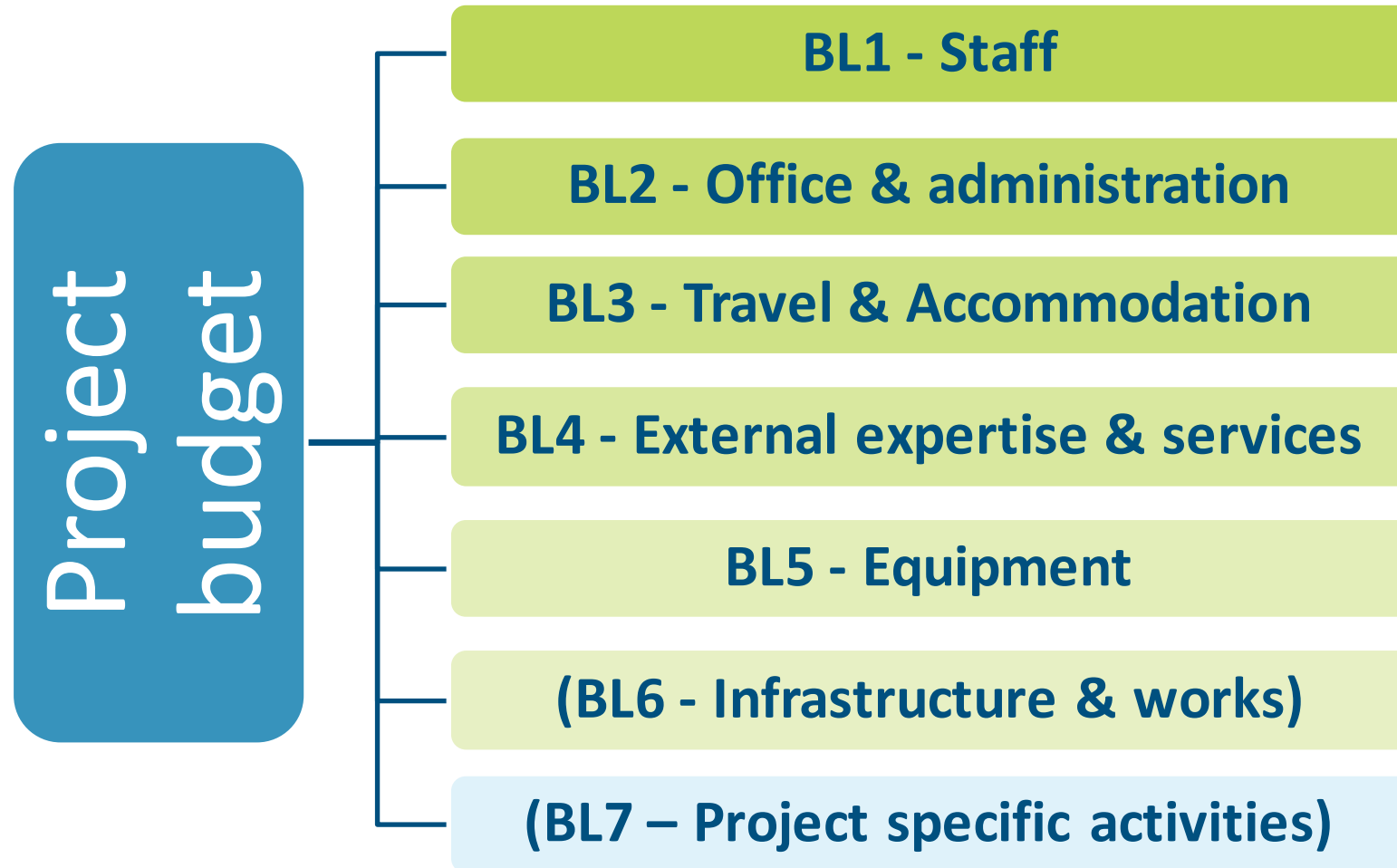
- All costs must belong to a project partner
 - ⇒ NO sub-partners
 - ⇒ NO COST SHARING
- All cost must follow the real costs principle
(exceptions: in-kind, simplified cost options & depreciation)
- Reimbursement principle ⇒ NO advance payment

Eligibility periods

- Contracting phase (3 months)  project costs fully eligible
- Implementation phase  project costs fully eligible
- Closure phase (3 months)  limited eligibility
- Post-project phase  no costs eligible

Budget lines & eligibility of costs

Budget lines



BL1 - Staff

- 1. Full time & part-time staff**
- 2. Unpaid voluntary workers**

BL1 - Staff: Full-time and part-time

Full time

Part-time

- ✓ Employed by partner organisation
- ✓ Formally engaged in project activities

100%
of the employee's
working time is
spent for project
work

< 100%
of the employee's
working time is
spent for project
work

BL1 - Staff: Eligible costs

Full time

Part-time

Gross employment costs

- ✓ Fixed in employment document or by law
- ✓ Non-recoverable
- ✓ Examples:
 - Salary
 - Other costs directly linked to the salary

BL1 - Staff: Documentation

Full time

Part-time

- ✓ Employment document
 - ✓ Job description
- ✓ Documentation of gross employment costs
 - ✓ Payment proof
 - ✓ **Staff costs tool**

+ method specific documents

BL1 - Staff: Calculation options

Part-time

Fixed percentage of time worked per month

- ✓ Percentage fixed in employment document **in advance**
- 😊 No timesheet needed
- 😊 Simple calculation
- 😐 Over- or undercompensation possible

BL1 - Staff: Calculation options

Part-time

Calculated with a yearly hourly rate

- ✓ Annual gross employment costs of **previous 12 months** divided by 1,720 hours
- 😊 Only need to calculate it once
- 😐 Over- or undercompensation possible
- 😐 Timesheet needed

BL1 - Staff: Calculation options

Part-time

Calculated with a monthly hourly rate

- ✓ Monthly gross employment costs of actual month divided by **monthly working time set in employment contract**

- ☹ Timesheet needed
- ☹ Closest, but not equal to real costs
- ☹ Vacation and sick leave are not covered

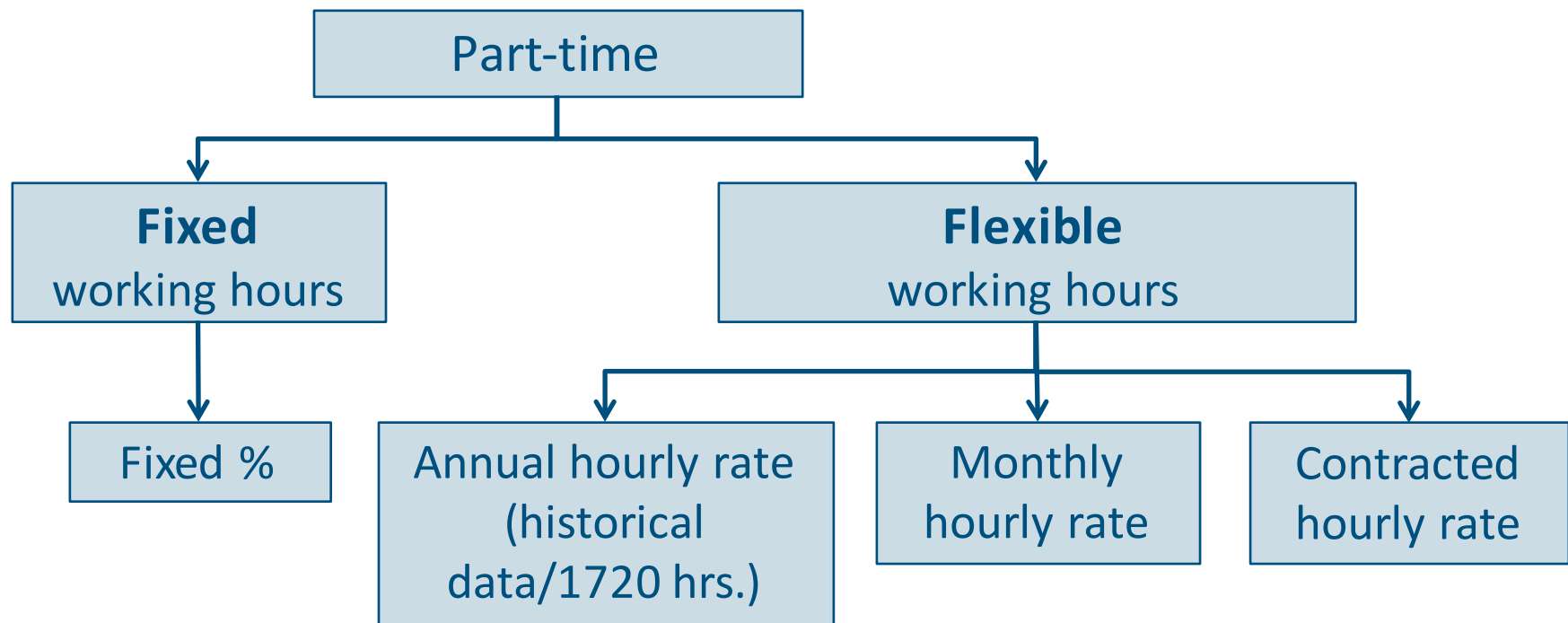
BL1 - Staff: Calculation options

Part-time

Calculated with a contracted hourly rate

- ✓ **Hourly rate** set in the **employment contract** multiplied with actual working hours
- ☹️ Can only be used by staff that is paid on hourly rate basis
- ☹️ Timesheet needed
- ☹️ Vacation and sick leave not covered

BL1 - Staff: Calculation options



Do not mix the calculation methods!

BL2 - Office & administration

15%

**flat rate
of BL1 staff costs**

Application => automatic calculation

BL2 - Office & administration

- Office rent;
- Insurance and taxes of buildings and equipment (e.g. fire, theft insurances);
- Utilities (e.g. electricity, heating, water);
- Office supplies;
- General accounting;
- Maintenance, cleaning and repairs; Security; IT systems;
- Communication (e.g. telephone, fax, internet, postal services);
- Bank charges, transnational financial transaction charges.

BL3 - Travel & Accommodation

- travel costs
- accommodation
- daily allowances

if not covered by allowances:

- meals (other than catering!)
- visa

=> only project staff travel costs
(guests, speakers, experts => BL 4)

BL3 - Travel & Accommodation

Project employees

- belongs to BL3
- Travel costs (e.g. tickets, fuel, car mileage, toll, parking fees)
- Accommodation costs
- Visa costs
- Daily allowances

External experts/speakers/...

- belongs to BL4
- Travel and accommodation costs

Every travel must be project related !!!

Travelling and other activities outside EU part of the programme area

- When do I need prior approval by MA/JS?
- When I don't need prior approval by MA/JS?



BL4 - External expertise & services

- ⇒ studies, surveys, training, translations
- ⇒ promotion, communication, publicity
- ⇒ external project management
- ⇒ project events
- ⇒ consultancy services
- ⇒ First level control
- ⇒ travel & accommodation for external staff
- ⇒ ...

BL5 - Equipment

Investment equipment as integral part of an investment output

⇒ full costs

Other project equipment for carrying out project activities

⇒ depreciation, rental, leasing costs for the respective period

BL5 - Equipment

- office equipment
- IT hardware & software
- furniture & fittings
- laboratory equipment
- machines & instruments
- tools or devices
- vehicles
- other

BL6 - Infrastructure & works

- Only investment related costs
 - ➔ Blocked if no investment outputs planned
- Full costs eligible
- Examples: Works for ...
site preparation, delivery, handling, installation, renovation

BL4, BL5 and BL6

- Application: Indicative specification of contracts (sections 6.1, 6.2 and 6.3)
- Partner reports & progress report:
 - ✓ Expenditure for all contracts
 - ✓ Overview of contracts above EU thresholds only
- Documentation:
 - ✓ Procurement
 - ✓ Contracts and invoices
 - ✓ Proof of delivery
 - ✓ Payment proof

(BL7 – Project specific activities)

- Only available for projects that applied before submission of application

Procurement

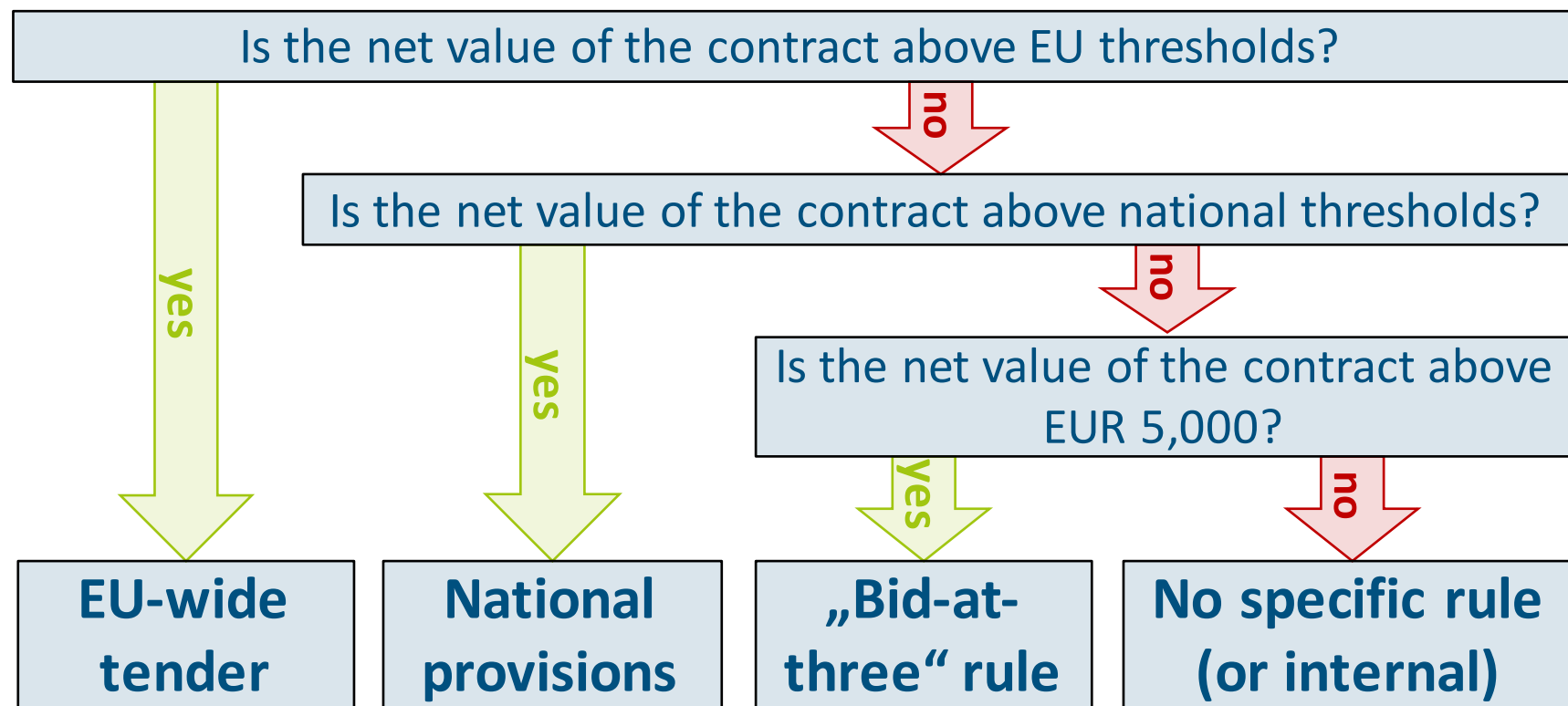
Proper procurement is the essence of generating eligible expenditure!

It is a horizontal issue throughout all BLs

- ✓ **Transparency**
- ✓ **Non-discrimination**
- ✓ **Equal treatment**

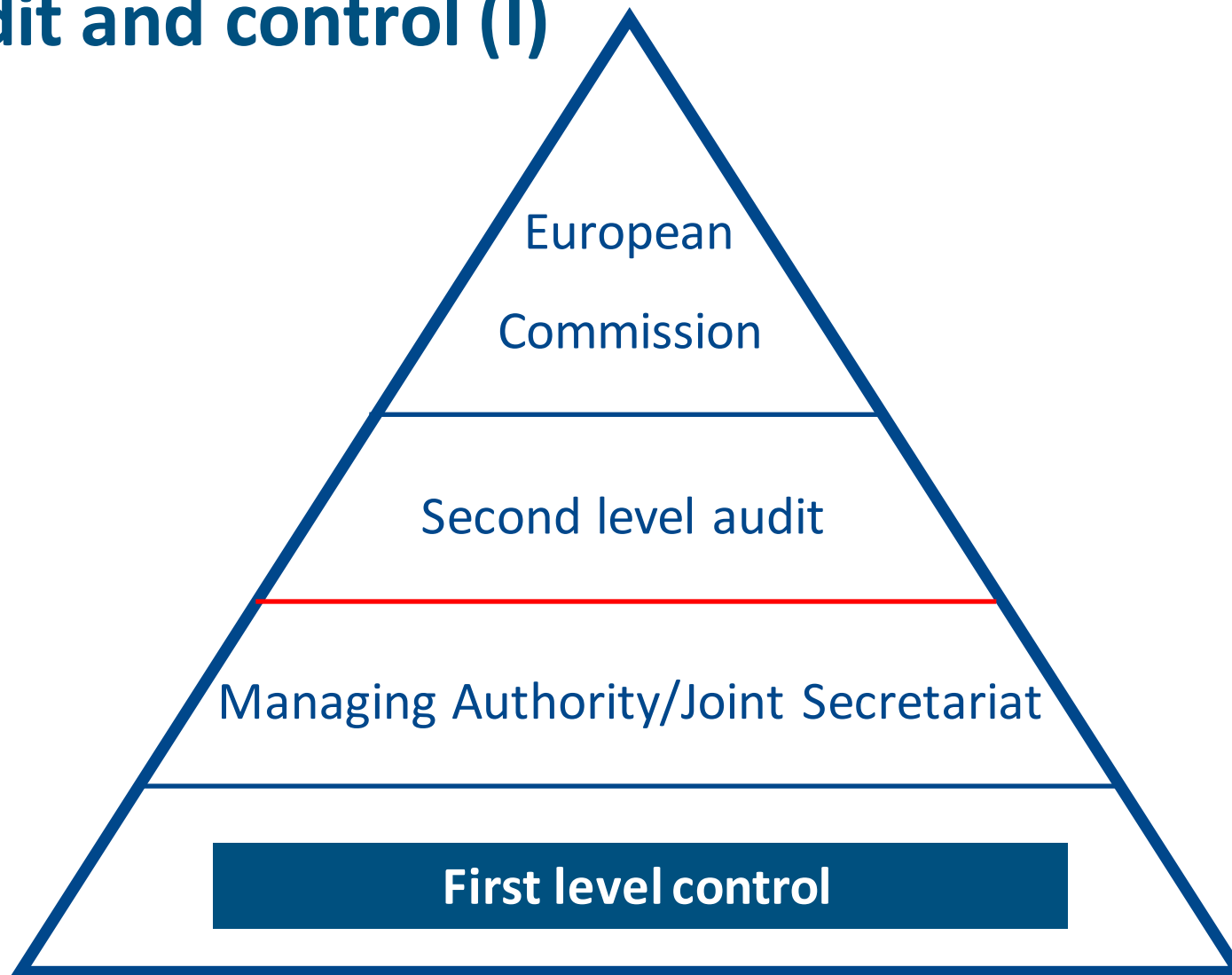
Follow the correct procedure!

Partners subject to public procurement legislation:



Audit & control

Audit and control (I)



Audit and control (II)

First level control (FLC)

- All expenditure
- Different FLC systems
- Approbation bodies
- Validated expenditure co-financed from the Programme

Second level audit (SLA)

- Audit Authority/national auditors
- Selected sample of LPs/PPs
- SLA report = negative report with possible financial consequences:
 - ⇒ Responsibilities of
 - Partners
 - Lead partners

Audit and control (III)

First Level Control

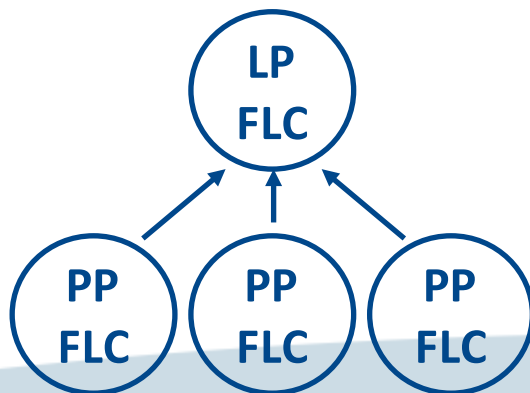
FLC system
FLC approbation

Second Level Audit

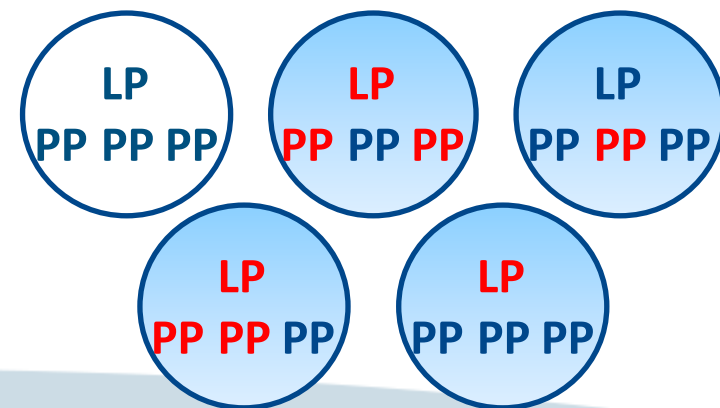
Group of Auditors

- Chaired by Audit Authority
- National members
- MA/JS in supportive role

Each progress report



Audits of sampled projects/partners



First level control

First level control (I)

1. What is it?

Verification:

- Delivery of the products and services
- Soundness of expenditure
- Compliance with rules

... and why?

- Co-financing from public funds

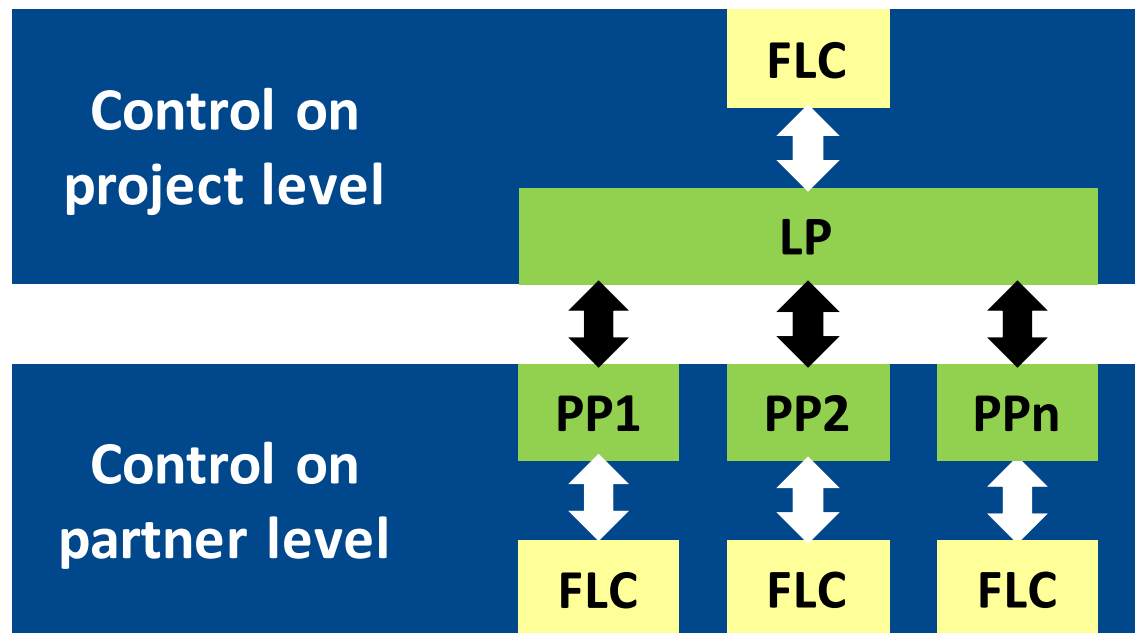
First level control (II)

2. How does it work?


a) Step 1

Selection and approbation of the controller

b) Step 2



First level control (III)

 EUROPEAN UNION EUROPEAN REGIONAL DEVELOPMENT FUND	<i>Project: R.00 - Baltic friends</i>	
	<i>Project partner: 1 - Municipality of BSR</i>	
<i>Partner report no. 01 (2015-11-20-2016-08-31)</i>	Signature:	Stamp:
	Place:	Date:
Validate & finalise & print		
		<i>Form Version v. 0.0</i>
		<i>Checksum:2650055158</i>

Checksum:3369542953 →

Checksum:2650055158

First level control (IV)



First Level Control

- Home
- About the Programme
- Apply for funds
- For projects**
- Contracts
- Reporting
- Public Procurement
- First Level Control**
- State Aid

FOR FIRST LEVEL CONTROLLER IN ALL COUNTRIES _____

[📄 FLC Report and Checklist](#)

DENMARK _____

- [📄 01_FLC description DK_Interreg BSR_FINAL.pdf](#)
- [📄 02_FLC specification DK_Interreg BSR_FINAL.docx](#)
- [📄 03_Guidelines for FLC in DK_FINAL.pdf](#)

ESTONIA _____

CHOOSE A COUNTRY _____

- [Denmark](#)
- [Estonia](#)
- [Finland](#)
- [Germany](#)
- [Latvia](#)
- [Lithuania](#)
- [Norway](#)
- [Poland](#)
- [Sweden](#)

FLC documentation (I)

1. First level control report and checklist
 2. First level control certificate
- **FLC on partner level**
 - ⇒ unified templates for all controllers
 - ⇒ harmonized with other Programmes
 - ⇒ FLC documents to be sent to the project partner
 - ⇒ project partner sends a copy to the lead partner

FLC documentation (II)

1. First level control report and checklist
 2. First level control certificate
- **FLC on lead partner level**
 - ⇒ FLC section in BAMOS
 - ⇒ based on the FLC documentation received from partners

FLC report on partner level

- General information
- Control information
 - ⇒ Declared and certified expenditure
 - ⇒ Control method and type of checks
 - ⇒ Findings
 - ⇒ Conclusions
 - ⇒ Follow up measures

FLC checklist on partner level

1. General information about documents
2. General checks
3. Accounting and audit trail
4. Budget lines
5. Public procurement
6. Information and publicity rules
7. State aid - **updated**
8. Anti-fraud measures – **new**

Annex 1 – Fraud risks in procurement and staff costs - **new**

FLC report & checklist on lead partner level

- Information about certified expenditure
- Checks on the progress report
 - ⇒ Partnership agreement
 - ⇒ Project reporting system
 - ⇒ Project meeting/training
 - ⇒ Project partners' FLC documentation
 - ⇒ Approbated FLC of the partners
 - ⇒ Transfer of funds to partners
 - ⇒ Unpaid voluntary work limit
 - ⇒ Revenues
 - ⇒ Economic activities

First level control and second level audit

Managing Authority/Joint Secretariat

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*Interreg Baltic Sea Region funds cooperation
to create change for a better region.*



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