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EUROPEAN UNION
2 Seas Mers Zeeën




First Level Control Seminar



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First Level Control: Focus on the different typologies of control



FLC administrative verification

This type of control is to be performed **on 100%** of the total reported expenditure

For each financial claim, the First Level Controller is to fill in:

- one **FLC checklist**:

- ❖ Contains a series of questions to be answered by “Yes” or “No” only
- ❖ Length variable depending on the nature of the expenditure claimed

-one **FLC certificate**

- ❖ Amount directly reported in the document by the system
- ❖ To be downloaded, signed and uploaded by the FLC who shall keep the original signed version for audit trail.

FLC on-the-spot verification

In addition to the regular administrative checks, the FLC will have to perform:

- an **administrative on-the-spot check** (at least once during the project lifetime)
 - 3 options in the definition of the control perimeter
 - Contradictory phase (traceability to be ensured)
 - Table for reporting each single irregular expenditure detected per BL + classification of irregularity
- a **physical on-the-spot check** (at least once during the project lifetime for partners involved in infrastructure and construction works)

These controls are to be performed using specific FLC checklists.

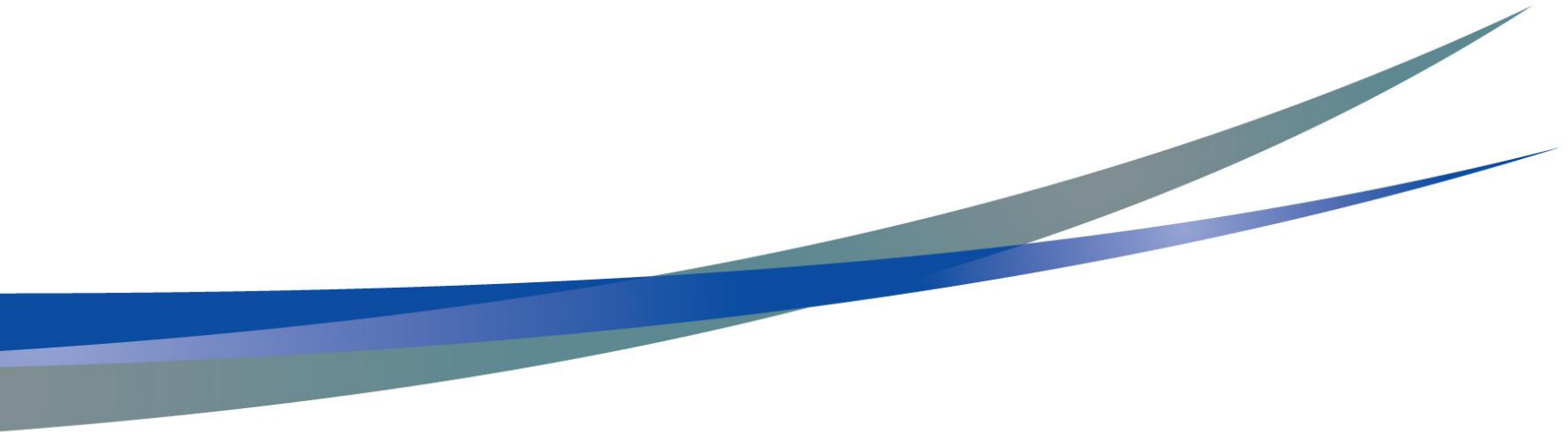
Following his/her administrative check, a FLC has 3 options:

- 1) To **validate** the full cost as claimed by the beneficiary
- 2) To **modify** the cost claimed (by reducing or increasing the initial cost) => the FLC will clearly have to indicate the eligible amount and to justify the modification through a drop down list
- 3) To **reject** the cost claimed => the FLC will have to justify the modification through a drop down list

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The reporting process

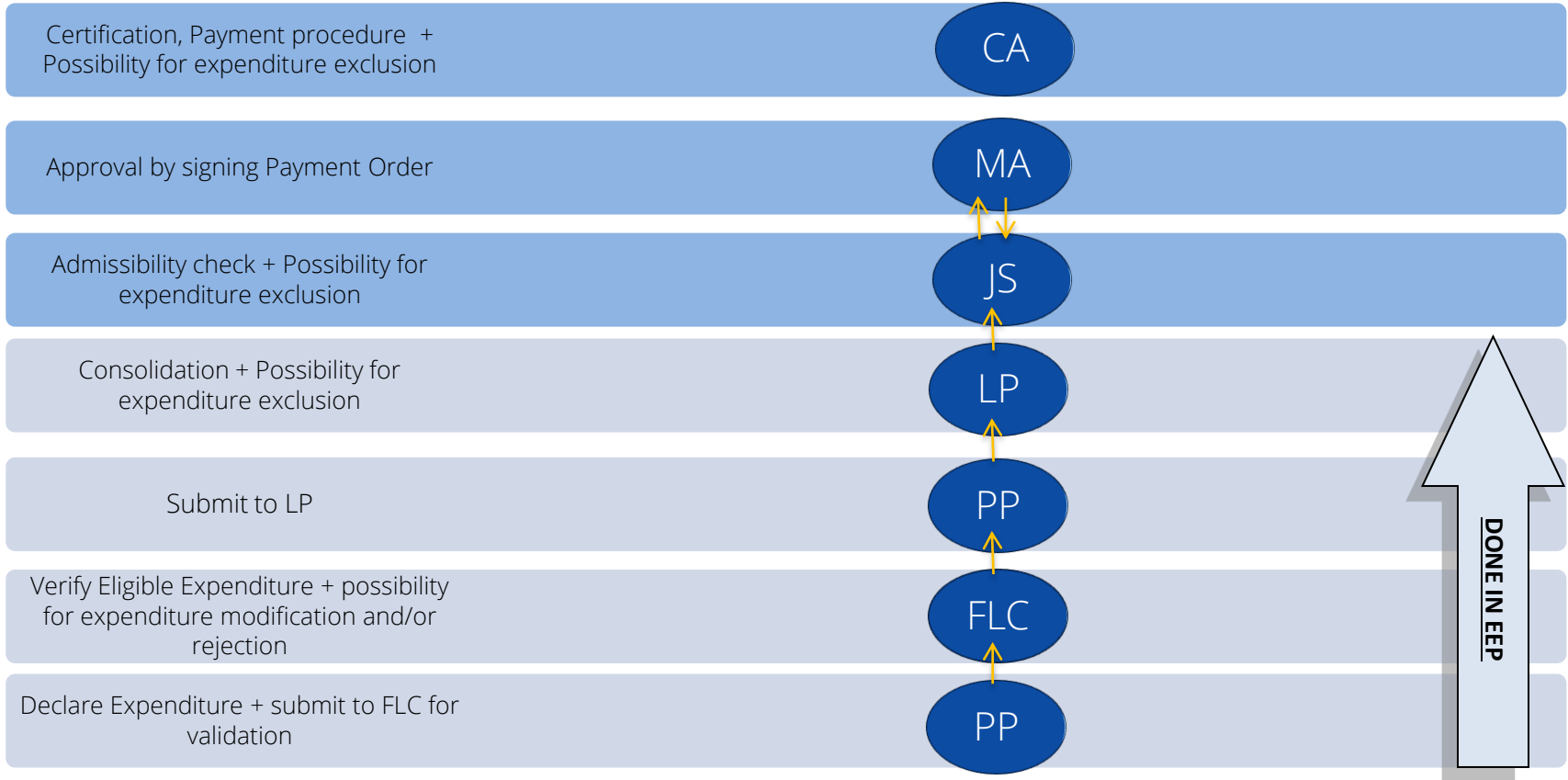


Financial claims: deadlines

1 to 4 financial claims per year (Schedule to be fixed in the monitoring plan, at project level)

- 31 January
- 30 April
- 31 July
- 31 October

Reporting Procedure



Supporting documentation

Each project partner is to provide the FLC with all supporting and probative documentation towards the costs claimed.

These documents cannot be uploaded in the EEP.

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The Budget Lines



Budget lines

2 Seas
Webinars

Factsheet 8



BL1: Staff costs

BL2: Office and Administrative expenditure

BL3: Travel and Accommodation

BL4: External Expertise and Services

BL5: Equipment

BL6: Infrastructure and Construction works

BL1: Staff costs

Consists of costs for staff members:

- Employed by the partner organisation
 - Listed in the Application Form
 - Working full time or part time on the implementation of the project
- If First level control is internal, the costs must be foreseen and declared under this BL*

2 options are possible to claim staff costs and have been defined in the application form:

- **Flat rate** = 20 % flat rate of direct costs other than staff costs
- **Real costs** = Staff costs must be calculated individually for each employee

BL1: documents to be provided to the FLC if staff costs are declared as 20% flat rate of direct costs

Timesheets are not required.

Still, it should be evidenced that there is at least one person employed by the organisation and working on the project.

Therefore, at least a copy of the working contract of this member of staff should be provided to the FLC.

Project partners do not need to document the expenditure covered by the flat rate.

The FLC checks the correct reporting of the direct costs in the other budget lines and verifies that no expenditure related to staff costs is included in any other budget line.

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working fully on the project:

- Working contract or any other equivalent legal agreement that permit the identification of the employment relationship with the partner's organisation;
- A document clearly showing that the employee works 100% of the time on the project (it can be the working contract and/or any other document issued by the employer like a 'mission letter');
- Document identifying the real salary costs (gross salary and employer's social charges) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working fully on the project:

- Evidence that the calculation of the gross employment costs is in line with the applicable European, Programme and national eligibility rules;
- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost).

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working partly on the project on a fixed percentage:

- Document that permits the identification of the employment relationship with the partner's organisation: working contract or any other equivalent legal agreement;
- A document setting out the percentage of time to be worked on the project (it can be the work contract and/or any other document issued by the employer, clearly identifying the fixed percentage of monthly time dedicated to the project);

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working partly on the project on a fixed percentage:

- Document identifying the real salary costs (gross salary and employer's social charges) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Evidence that the calculation of the gross employment costs is in line with the applicable European, Programme and national eligibility rules;

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working partly on the project on a fixed percentage:

- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost).

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working partly on the project on a flexible percentage:

- Document that permits the identification of the employment relationship with the partner's organisation: working contract or any other equivalent legal agreement;
- Document identifying the annual, monthly or daily contractual working hours and number of holidays per employee such as the working contract or other internal document of equivalent value;

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working partly on the project on a flexible percentage:

- Document identifying the real monthly or annual employment costs (gross salary and employer's social charges) for the employee, such as pay slips or other accounting documents where the employment costs are clearly detectable;
- Evidence that the calculation of the gross employment costs is in line with the applicable European, Programme and national eligibility rules

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working partly on the project on a flexible percentage:

- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost)
- Record of the calculation methodology used for determining the hourly rate
- Registration of the monthly working time covering 100% of the working time of the employee and identifying the time spent on the project: timesheet or equivalent time recording system.

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working on the project on a hourly basis:

- Document that permits the identification of the employment relationship with the partner's organisation: working contract or any other equivalent legal agreement;
- Clear identification of the hourly rate in the working contract or any other equivalent legal agreement;
- Evidence that the hourly rate, as indicated in the employment document, has been defined in compliance with the applicable European, Programme and national eligibility rules;

BL1: documents to be provided to the FLC If staff costs are declared as real costs

For staff working on the project on a hourly basis:

- Registration of the monthly working time covering 100% of the working time of the employee and identifying the time spent on the project: timesheet or equivalent time recording system;
- Accounting evidence that the salary has been paid to the employee (proof of payment, e.g. bank statement proving the actual payment of the cost).

BL2: Office and Administrative expenditure

- General administrative expenses of the partner organisation for the delivery of project activities
- **Exhaustive list** (see Programme Manual)
- **Flat rate of 15%** of each partner's staff costs

BL2: documents to be provided to the FLC

Project partners do not need to provide any justification or supporting documents.

Project partners do not need to document the expenditure covered by the flat rate.

The FLC check focuses on the correct reporting of the staff costs and on verifying that no expenditure related to the office and administrative budget line is included in any other budget line.

BL3: Travel and Accommodation

- Limited to travels, meals, accommodation, visa, daily allowances
- **Only related to staff members**
- In line with the national/institutional rules applicable by the partner organisation
- Incurred within the Programme eligible area, except for project management meetings in **Brussels, Paris, London, Amsterdam** (to be justified in the annual progress report)
- All other travels outside the Programme area must be relevant and originally identified in the AF or subject to prior approval by the Joint Secretariat

BL3: documents to be provided to the FLC

- Agenda (or similar) of the meeting/seminar/conference;
- Documents proving that the journey took actually place (boarding passes or participant lists etc.);
- Paid invoices (including hotel bills, transportation tickets, etc.) and, if applicable, the employee's expense report with a proof of reimbursement by the employer to the employee;
- Daily allowance claims (if applicable), including proof of reimbursement by the employer to the employee.

BL4: External Expertise and Services

- Tasks that cannot be carried out by project partners
- **Exhaustive list** (including external First level control costs)
- Expenditure paid on the basis of **contracts**/written agreements and against **invoices**/requests for reimbursement to external service providers: information on the public procurement contracts to be provided in the EEP

BL4: documents to be provided to the FLC

- Evidence of the selection process, in compliance with the applicable EU, national and internal public procurement rules. Any changes to the contract must comply with the public procurement rules and must be documented;
- A contract or other written agreements of equivalent probative value laying down the services to be provided with a clear link to the project;
- An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules;
- Proof of payment;
- Outputs of the work of external experts or service deliverables.

BL5: Equipment

- Purchased, rented or leased by a partner
- **Exhaustive list** (see Programme Manual)
- Compliance with depreciation rules if applicable (if the equipment is a **key component of one or more project outputs**, full cost can be claimed)

BL5: documents to be provided to the FLC

- Evidence of compliance with the applicable EU, national and internal procurement rules.
- Invoice (or a supporting document having equivalent probative value to invoices, in case of depreciation) providing all relevant information in line with the applicable accountancy rules.
- Calculation of depreciation in compliance with the applicable national/internal schemes and rules.
- Proof of payment.

BL6: Infrastructure and Construction works

- Full cost of infrastructure and construction works can be reported
- Purchase of land (if applicable) cannot exceed 10% of the total project budget

BL6: documents to be provided to the FLC

- Evidence of compliance with the applicable EU, national and internal procurement rules;
- Documents pertaining to the work may be required such as feasibility studies, environmental impact assessment and planning permission;
- In the case of land and real estate purchase (or provision in the form of in-kind contribution), a certificate from an independent qualified evaluator or duly authorised official body confirming that the cost is in line with the market value;

BL6: documents to be provided to the FLC

- In case of land and real estate provided in the form of in-kind contribution, evidence of compliance with the applicable rules in the field of in-kind contribution (further details in the factsheet “Focus on In-kind contribution”);
- Documents specifying the ownership of land and/or real estate where the works are carried out, as well as proof of commitment to establish and maintain an inventory of all fixed assets acquired, built or improved under the ERDF grant.

Other financial elements to take into account

- a) Public procurement
- b) In kind contribution
- c) Revenues
- d) State Aid
- e) Anti-fraud
- f) Intellectual Property rights (IPR)

a) Public Procurement



- Aim: securing transparent and fair conditions for competition in the common market
- Three levels to be taken into consideration:
 - EU public procurement rules
 - National/Regional public procurement rules
 - Internal organisation rules (if existing)

The strictest rule must be applied!

b) In kind contribution

- Consists of a provision of works, goods, services, land and real estate **provided for free to the project**
- Considered as a « donation » to the project (no payment back)
- Can be declared under 3 budget lines:
 - External expertise and services
 - Equipment
 - Infrastructure and works
- Unpaid voluntary work **is not eligible** within the 2 Seas Programme

c) Revenues



Definition (Article 61 of Regulation (EU) No 1303/2013):

Net revenues: *Cash in-flows directly paid by users for the goods or services provided by the project, such as charges borne directly by users for the use of infrastructure, sale or rent of buildings, or payments for services less any operating costs (...)*

All revenues have to be managed in line with Fact sheet 10 of the Programme Manual

d) State Aid



- Pay attention to:
 - Check Eligibility / suggested areas for consideration
 - If concerned by state aid at 1st level:
 - » Monitoring of the typology: SME qualification
 - » Ongoing compliance with eligibility rules and any other specific conditions of applications
 - If concerned by state aid at 2nd level:
 - » Risk management → Establish the mitigation measures

e) Anti-Fraud

- Any detected suspected / established case of fraud needs to be reported to the MAJS
- Existing reporting means:
 - FLC report on suspected or established fraud
 - Anonymous (or not) whistleblowers

f) Intellectual Property Rights

Definition: *“Intellectual Property Rights are the rights that protect the creations of the human mind (intellectual property)”*.

In case of IP within the project, the partnership should sign an agreement (next to the Subsidy Contract and Partnership Agreement)

Protection of the IP

- **Deliverables and outputs can be protected** by IP rights but the project results must be widely communicated and disseminated

20% Flexibility rule

A project may overspend **up to 20%** of its foreseen BLs, WPs and **partner budget** provided that this is compensated elsewhere with the same underspending.



20% Flexibility rule

	Budget AF	Claimed budget				total	%
		BL1	BL2	BL3	BL4		
		298 000,00 €	74 000,00 €	70 000,00 €	58 000,00 €	500 000,00 €	
WP1	200 000,00 €	100 000,00 €	25 000,00 €	50 000,00 €	25 000,00 €	200 000,00 €	100,00%
WP2	100 000,00 €	76 000,00 €	19 000,00 €	15 000,00 €	10 000,00 €	120 000,00 €	120,00%
WP3	100 000,00 €	70 000,00 €	17 500,00 €	9 000,00 €	3 500,00 €	100 000,00 €	100,00%
WP4	50 000,00 €	30 000,00 €	7 500,00 €	2 500,00 €	0,00 €	40 000,00 €	80,00%
WP5	50 000,00 €	20 000,00 €	5 000,00 €	5 000,00 €	10 000,00 €	40 000,00 €	80,00%
Total	500 000,00 €	296 000,00 €	74 000,00 €	81 500,00 €	48 500,00 €	500 000,00 €	100,00%
	%	99,33%	100,00%	116,43%	83,62%	100,00%	

Different types of controls

- First level control: 100% of expenditure
- Quality control CA: Sample of projects
- Quality control MA: Sample of projects
- 2nd level audit: Sample of projects
- DG REGIO audits



Target of second level audits

- Compliance with Community, national and Programme rules
- Implementation of the operation in accordance with the approval decision
- Link between the expenditure declared by the beneficiary to the accounting records and supporting documents held by the beneficiary
- Payment to the final beneficiary of the ERDF (LP and PP)

How to ensure good audit results ?

- Satisfactory and efficient first level control
- Good and accurate audit trail (traceability of expenditure and filing)
- Availability of responsible persons (including FLC) and solid archiving system in place for the documentary review by the auditors
- Quick reaction during the contradictory phase

Thank you for your attention!