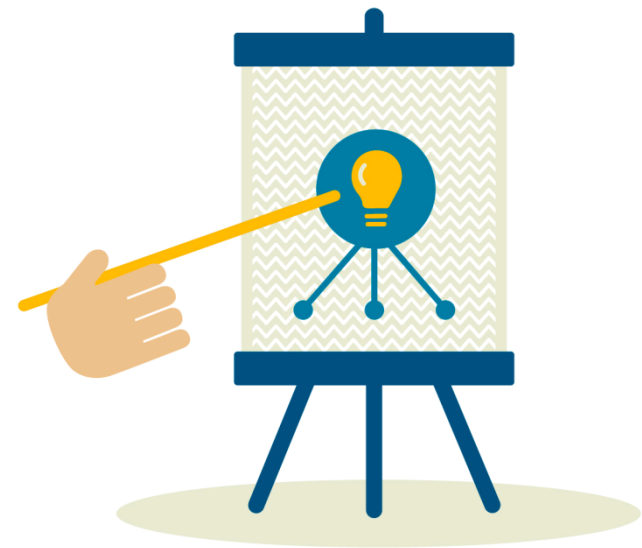


# National Control in ETC - Overview

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National Control (FLC) workshop  
24-25 October 2017 | Rome, Italy

**Katrin Stockhammer Interact**



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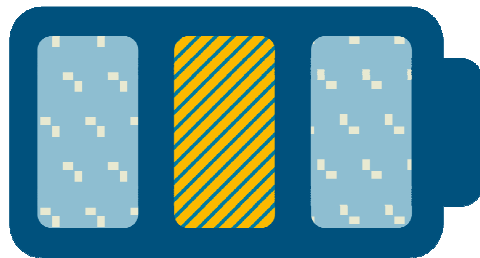
1. Regulatory framework and guidance 2014-2020
2. What simplifies?
3. Harmonised Control Package



# Regulatory framework and guidance

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2014 - 2020



# Management verifications – regulatory framework

- Regulation (EU) No. 1303/2013 (Common Provisions - CPR):
  - Art. 125.4 (scope of verifications)
  - Art. 125.5 (administrative and on-the-spot)
  - Art. 125.6 (on-the-spot sampling)
- Regulation (EU) No. 1299/2013 (ETC):
  - Art. 23 (ETC-specific rules)
- Delegated Act on Simplification No. 481/2014

## Guidance by the European Commission

- EGESIF Guidance for Member States on Management Verifications (programming period 2014-2020)

# Hierarchy of rules

1. Rules defined in EU legal framework
  2. Programme rules
  3. National rules
- National rules cannot abolish or restrict rules established at a higher level!
  - Stricter programme and national rules may apply only in areas that are not precisely regulated at the EU level or where EU Regulations provide the Member States with a discretionary power to set such rules.

# Scope of management verifications

## EC Guidance Management verifications

- Expenditure relates to the eligible period and has been paid
- Expenditure relates to an approved operation
- Compliance with programme conditions, incl. the approved co-financing rate
- Compliance with national and Union eligibility rules
- Adequacy of supporting documents and existence of an adequate audit trail

*For simplified cost options:* conditions for payments have been fulfilled

# Scope of management verifications (cnt'd)

## EC Guidance Management verifications

- Compliance with State aid rules, sustainable development, equal opportunity and non-discrimination requirements
- *Where applicable:* compliance with Union and national public procurement rules
- The respect of EU and national rules on publicity
- Physical progress of the operation
- Delivery of the product or service in full compliance with the terms and conditions of the agreement

# Types of management verifications

## Art. 125.5, reg. 1303/2013

- Administrative verifications (i.e. desk-based verifications) in respect of each application for reimbursement by beneficiaries:

*Clarified in the EC Guidance: Sampling of items is possible.*

- On-the-spot verifications of operations:

Recommended in the EC Guidance: Reality of operations, delivery of products and services, physical progress, compliance with Union rules of publicity, accuracy of information provided for administrative verifications.



# Recommended for on-the-spot verifications

Recommended in the **EC Guidance** for on-the-spot verifications

- Usually planned in advance / notification given
- Usually undertaken when the operation is well under way (financially and physically)
- Not recommended to carry it out when the operation has been completed
- Driven by the nature of the project, amount of public support, risk level and extent of administrative verifications

# Duties of the Lead Beneficiary

## Art. 13, Reg 1299/2013

Lead beneficiaries must ensure that...

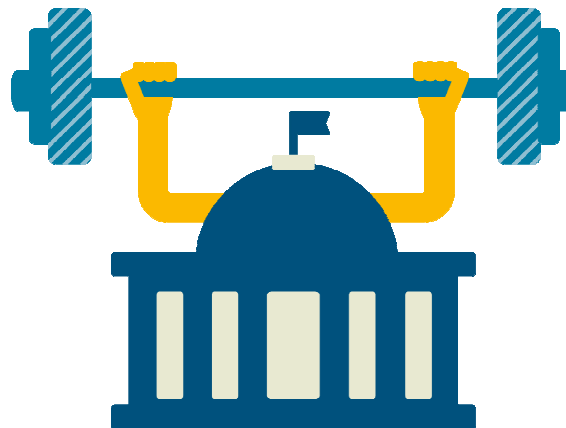
- Expenditure by each of the beneficiaries participating in the project has been incurred for the purpose of implementing the project and corresponds to the activities agreed between those beneficiaries.
- Expenditure by other beneficiaries (project partners) has been verified by controller(s).
- Forward shares of the funds to the beneficiaries without unnecessary delays and in full.

**Controllers of lead beneficiaries** verify that lead beneficiaries comply with their obligations.

# Timing

## EC Guidance Management Verifications

- **Timeframe:** Each Member State shall ensure that the expenditure of a beneficiary can be verified within a period of three months (Art. 23, Reg. 1299/2013)



# Documenting management verifications

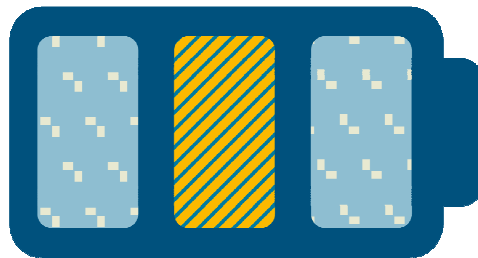
## EC Guidance Management verifications

- Work performed by controllers (scope, amount of expenditure verified), date(s) when the work was carried out;
- Results of the verification, including:
  - the overall level and frequency of errors,
  - the rules infringed upon, and
  - corrective measures taken (follow-up actions).
- Photos of deliverables, copies of promotional material, etc. can be used for verifying publicity requirements

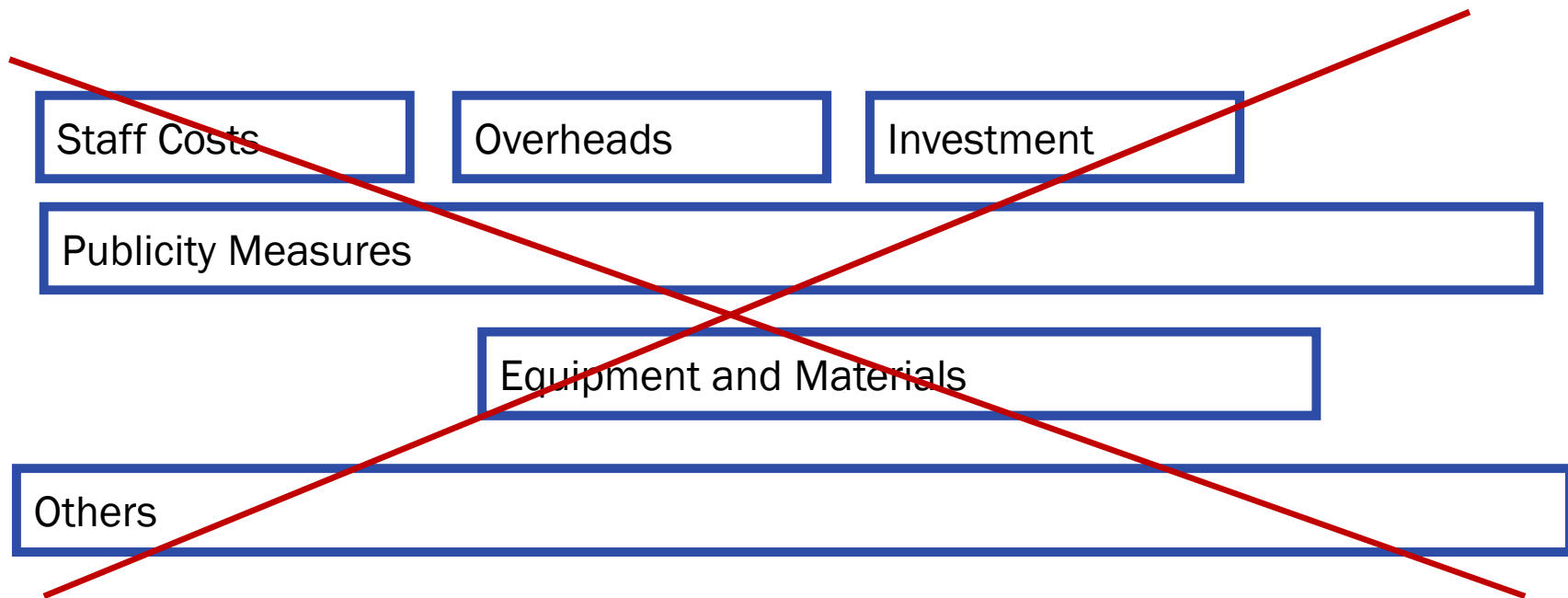
# What simplifies?

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2014 - 2020



# Harmonised Cost Categories



# Harmonised Cost Categories

*Delegated Regulation 481/2014 - Rules on eligibility of expenditure for cooperation programmes:*

- 1. Staff Costs*
- 2. Office and Administration Expenditure*
- 3. Travel and Accommodation Costs*
- 4. External Services and Expertise Costs*
- 5. Equipment Expenditure*
- 6. And in addition (not in the Del. Reg.): Infrastructure and Works*

Expenditure items in each cost category are of similar type and therefore require a specific set of control procedures!

# Simplified Cost Options

- No need to check original invoices, documents of equivalent probative value and payment proofs, etc.
- Most commonly used in Interreg:

**Flat Rate for Office and Administration:** Article 68 of Reg. No 1303/2013. Up to 25% of eligible direct costs OR up to 15% of eligible direct staff costs

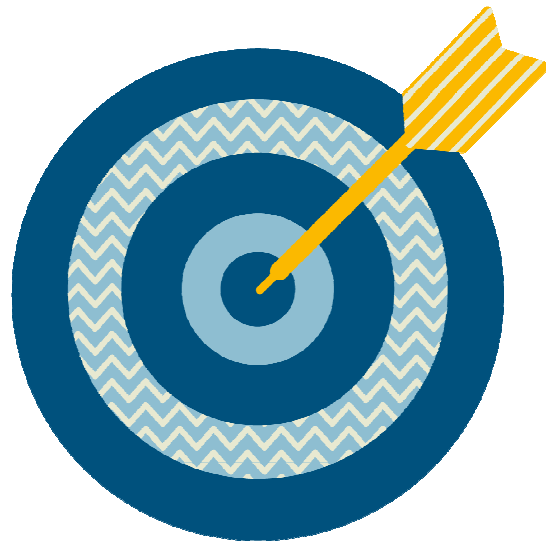
**Flat Rate for Staff Costs:** Article 67(1)(d) of Reg. No 1303/2013 and Art. 19 of Reg. No 1299/2013. Up to 20% of eligible direct costs other than staff costs

**Lump sums** (mostly preparation costs)



# Sampling

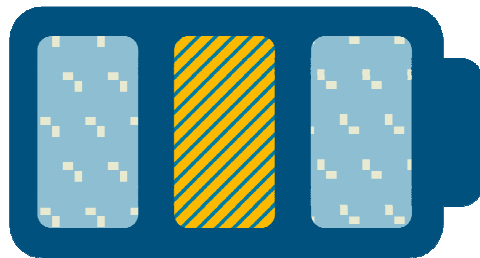
- Sampling of transactions within an application for reimbursement
- In line with EC Guidance on Management Verifications
- HIT Sampling methodology for administrative verifications



# HIT Control Package

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2014 - 2020



## **EC Audits of FLC (2007 – 2013)**

- Weakness in the audit trail (missing documents, justification of overhead and personnel costs);
- Public procurement errors (e.g. lack of competition - direct award);
- Poor link between expenditure and project;
- Control checklists - incomplete or aspects not sufficiently detailed (e.g. procurement, publicity);
- Questionnaire completed by the first level controller without thorough job;
- ...

## ‘Control Package’\*

- Control certificate
  - Control report
  - Control checklist
- } “MANDATORY”  
DOCUMENTS



- Annex 1: Documents for verification
  - Annex 2: Example of Work File Index
  - Annex 3: Internal Risk Assessment
  - Annex 4: Sampling methodology  
for administrative verifications
- } OPTIONAL  
DOCUMENTS

\* See: Interact Online Library

## Project selection

Administrative and Eligibility Checklist

YES

Quality Assessment Criteria

Strategic and Operational Assessment Criteria

Application Form

A - Project Summary  
B - Project Partnership  
C - Project Description  
D - Project Budget  
E - Partner Budget  
F - Annexes

ETC specific indicators

Budget lines fact sheets

Project / Partner Progress Report

PART A - Activity report  
PART B - Finance report

Project Final Report

## Project implementation

Progress Report Monitoring Checklist

FLC Certificate

FLC Checklist

FLC Report

# Advantages of Harmonisation

- Common approach by different programmes (overlapping programme areas)
- Harmonisation increases certainty

## Flexibility:

- Programmes can modify HIT tools (e.g. programme-specific requirements)
- Standalone documents that can be combined: Option to merge Control Report and Certificate OR Control Report and Checklist
- Avoid duplication or forgetting of elements: Coordination between JS and FLC checklists

# Control Checklist

- General Controls (audit trail)
- For each budget line: Controls for simplified cost options AND real cost reimbursement
- Optional sections such as in-kind contribution and generation of revenue
- Minimum control requirements based on regulatory framework

# Control Certificate

*Takes into account the controller's professional judgement:*

Based on the documents provided and my verification and my professional judgement as a controller, I certify that...

- Expenditure in line with rules
- Was paid....., ....

... I have NOT found any evidence of:

- Infringements of rules: sustainable development, equal opportunities and non-discrimination, equality and state aid
- Double-financing of expenditure
- Undisclosed project-related revenue



# Control Report

- Project and report, project partner and designated controller;
- Administrative or on-the-spot check;
- Sampling;
- Description of findings, observations and limitations;
- Conclusions and recommendations;
- Follow-up measures for the next progress report;
- **Purpose of the control** and addressees, responsibilities of project partner, lead partner, MA/JS and national controllers, etc.

# Annexes

- Documents for verification (Annex 1)
- Example work file index (Annex 2)
- Internal Risk Assessment (Annex 3) – Basis for sampling
- Sampling methodology for administrative verifications (Annex 4)

# Cooperation works

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All materials will be available on:

[\*\*www.interact-eu.net\*\*](http://www.interact-eu.net)