

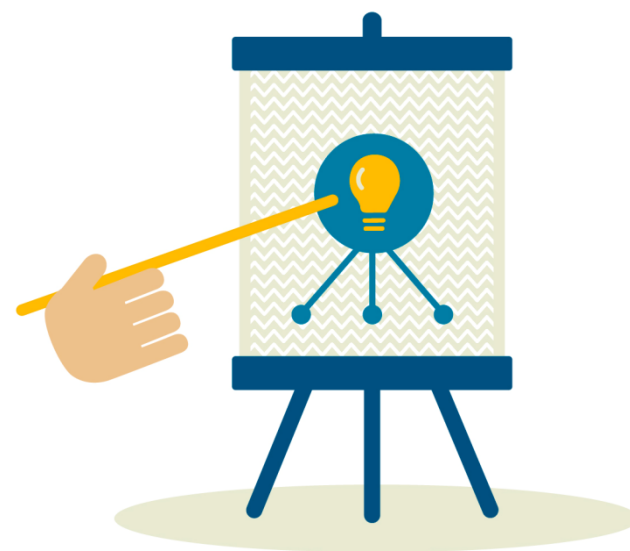
# Control and project reimbursement

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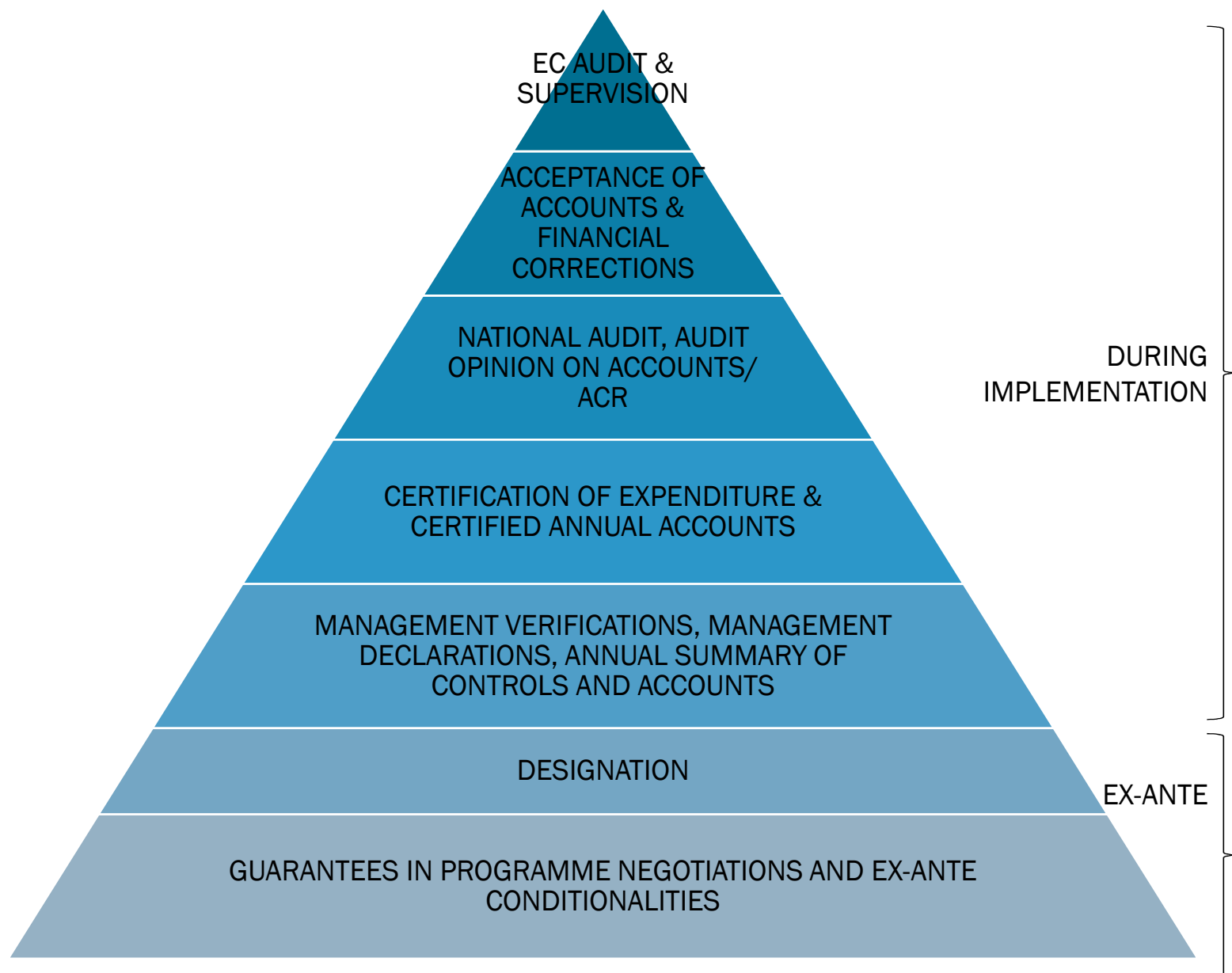
Interreg Programme Management for  
Beginners

24 - 25 April 2018 | Budapest, Hungary

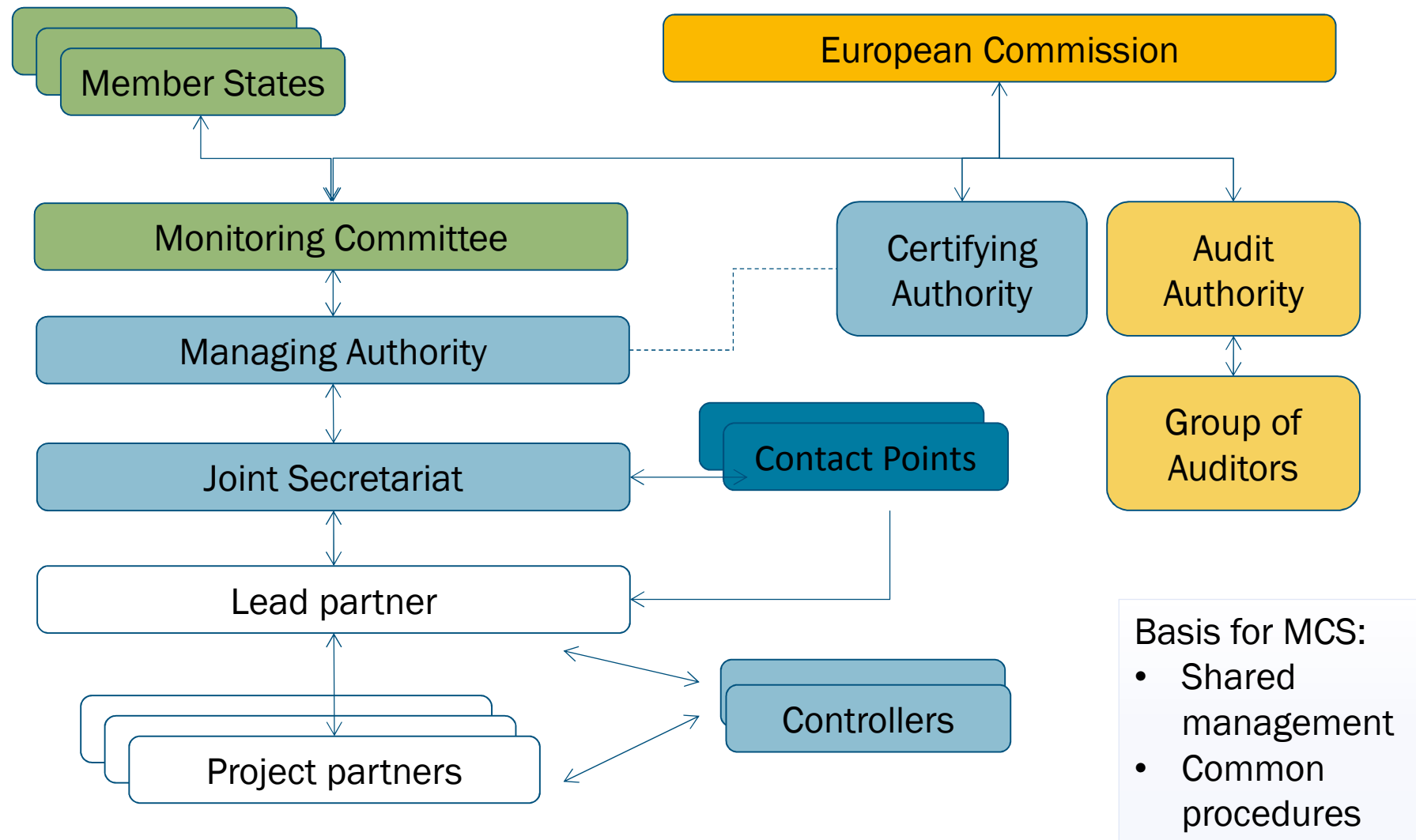
**Iuliia Kauk, Interact Programme**



# Assurance model 2014-2020



# Management and control system - MCS



# Management verifications – regulatory framework

## Legal basis

Regulation (EU) No. 1303/2013 (CPR):

- Art. 125(4), Art. 125(5), Art. 125(6)

Regulation (EU) No. 1299/2013 (ETC):

- Art. 23

## Guidance by the European Commission

ESFI Guidance for Member States on  
Management verifications (programming  
period 2014-2020)



# Management verifications – WHY & WHO?

- Key cornerstone of control architecture
- Increasingly important and formalized
- Failure to adequately perform can lead to financial corrections/interruptions

## MA has overall responsibility for efficiency and correctness of management and implementation:

- Review of all management verification reports by IBs;
- Perform quality reviews of management verifications carried out by IBs;
- Review of all Audit Authority reports, which incorporate a review of management verification checks.

# Control systems

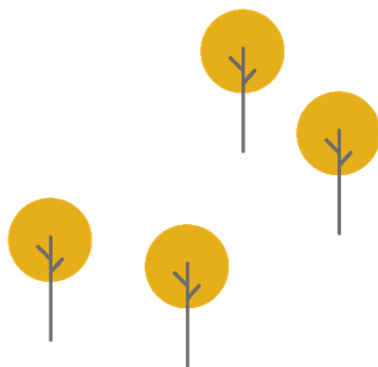
## Decentralised



Beneficiaries choose the FLC body freely (national public procurement law) ☐

Selected FLC has to be approved by programme/ national authorities ☐

Pre-defined list of available control bodies ☐



## Centralised



Programme level ☐

Member State level ☐

Regional level ☐

Project level ☐

Project partner level ☐



## Control systems – pros vs. cons

Decentralised	Centralised
Partner chooses the controller but needs approval	Partners cannot choose the controller
Financed from the project budget	Financed by the national/ regional funds or TA
Quick, with good proximity to the project	No costs
	Experienced staff
	Same interpretation of eligibility rules for all partners

# Management verifications – scope

Expenditure paid  
and related to  
the eligible  
period

Expenditure relates  
to approved  
operation

Physical progress  
of operation

Terms and  
conditions of the  
co-fin.  
agreement

Compliance with  
programme  
conditions (%)

Compliance  
with state aid  
rules

Respect of  
publicity rules  
(EU/ national)

Compliance with  
horizontal  
principles

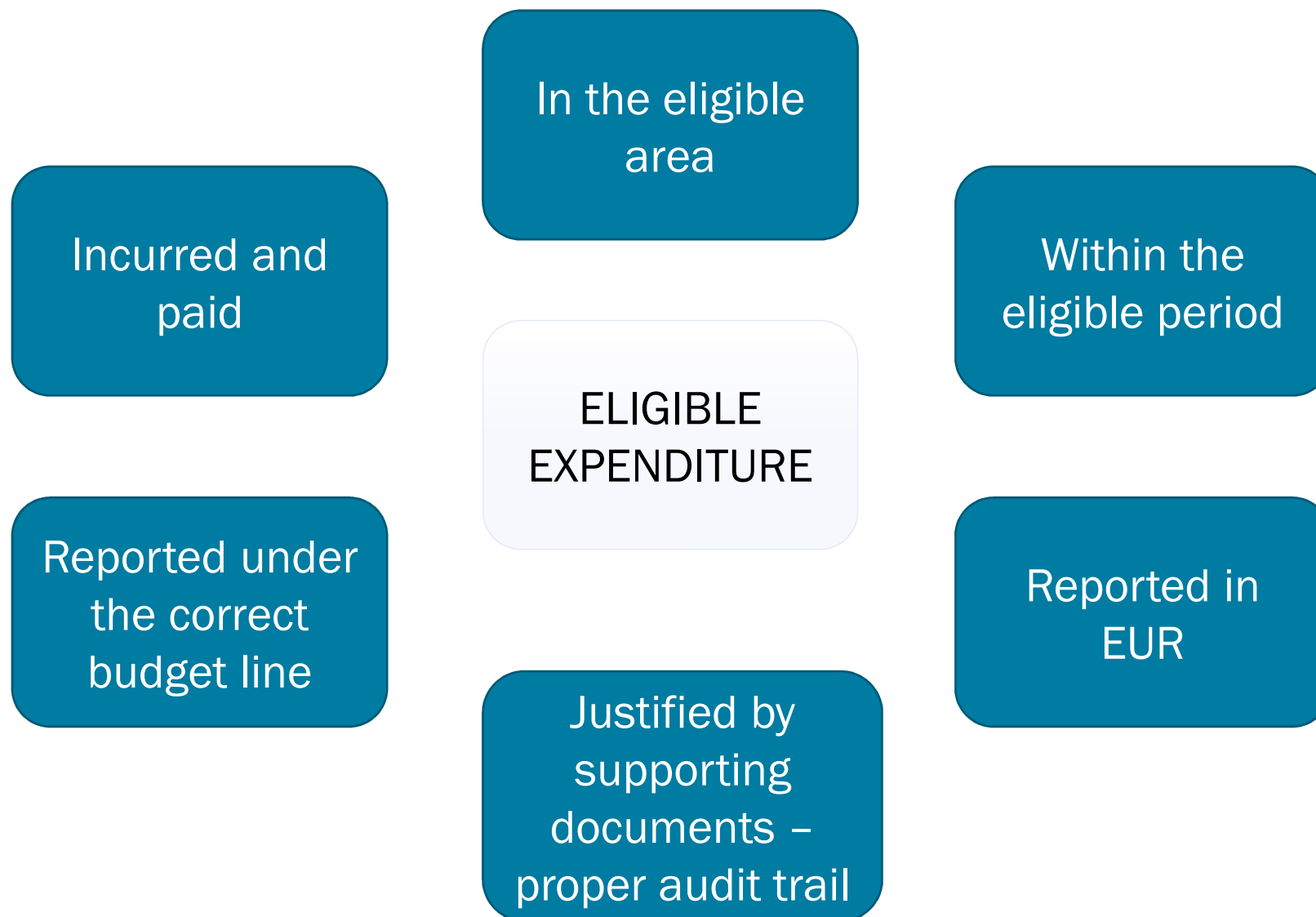
EU/ national  
eligibility rules/  
public  
procurement

Adequacy of  
supporting  
documents  
(audit trail)

Specifics of  
MVs for SCOs



# Management verifications



# Audit trail

An **adequate audit trail** ensures that *the accounting records maintained and the supporting documents held at the level of the CA, MA, FLC and project partners are adequate to trace expenditures.*

**Evidence** of expenditure incurred and paid must be provided.

All project partners are obliged to keep all documents relating to the project, activity reporting, outputs, results as well as supporting documents (e.g. public procurement, grant approval etc.).



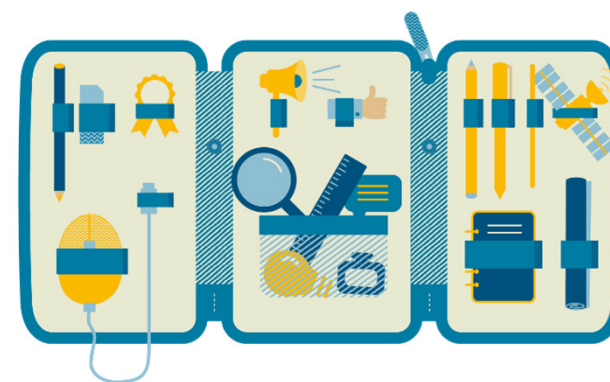
# Specific of management verifications if simplified cost options are used

Verification and audit is focused on checking:

- Correct **establishment** of the calculation method;
- Correct **application** of the calculation method.

Task of the auditor – checking that:

- Information on the calculation method is documented, traceable and is applied consistently;
- Justification of why costs included in the calculations are determined relevant;
- Detailed description on the steps performed for establishing the SCO.



# Specifics of MVs for SCOs - application

## Flat rate

- Programme rules and agreements made with the beneficiary (the flat rate takes right categories of costs; the right flat rate % has been used and calculations are correct);
- 'Basis' costs on which the flat rate is calculated

## Lump sum

- Agreed steps of the project have been completed;
- Inputs/ outputs have been delivered in line with conditions set by programme authorities (inputs/ outputs need to be documented)

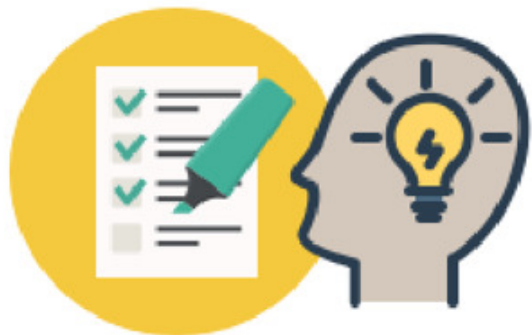
## Standard scale of unit costs - SSUC

- Units delivered by the project in the sense of quantified activities/ inputs/ outputs concerned by the SC are documented, thus verifiable;
- Amount declared equals the standard rate per unit multiplied by the actual units delivered by the project

# Audit trail – staff costs

Required documents depending on the reimbursement option	Real costs					20 % flat rate	SSUC
	Full time	Part time			Hourly rate set in the contract		
		Fixed %	1720 hours/year	Actual hours			
Employment/work contract	✓	✓	✓	✓	✓	✗	✓
Job description	✓	✓	✓	✓	✓	✗	✓
Payslips	✓	✓	✓	✓	✓	✗	✗
Data from time registration system	✗	✗	✓	✓	✓	✗	✓
Proof of payment	✓	✓	✓	✓	✓	✗	✗

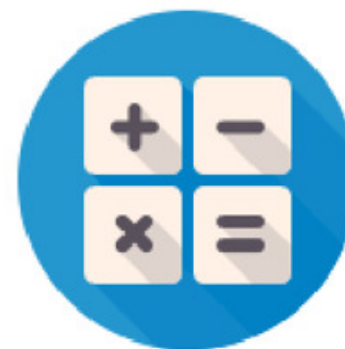
# **Audit trail – Office and administration real costs (NOT flat rate)**



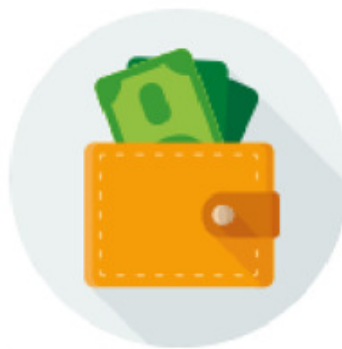
List of (in)direct costs



Paid invoices

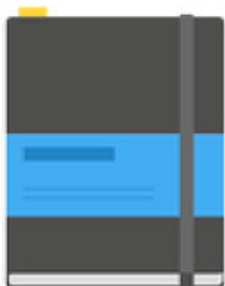


Calculation method



Proof of payment

# Audit trail – Travel and accommodation real costs



Agenda



Proof of participation



Paid invoices


















Daily allowance



Proof of payment

# Audit trail – 3 budget lines

<b>real costs</b>	<b>External expertise and services</b>	<b>Equipment</b>	<b>Infrastructure and works</b>
Selected offer / contract			
Invoices			
Proof of payment			
Evidence of work/ existence			
<i>Calculation method, if necessary</i>			



# Management verifications – types

## **Administrative (desk-based)**

Each application for reimbursement

Performed at the controller's premises

Sampling is possible  
(where justified)

## **On-the-spot**

Delivery of the product/service, physical progress, EU publicity rules

Performed at the premises of the partner/ project related site

On a sample basis  
(Art. 125(5),  
Reg. 1303/2013)

# Management verifications – sampling

## Administrative verifications

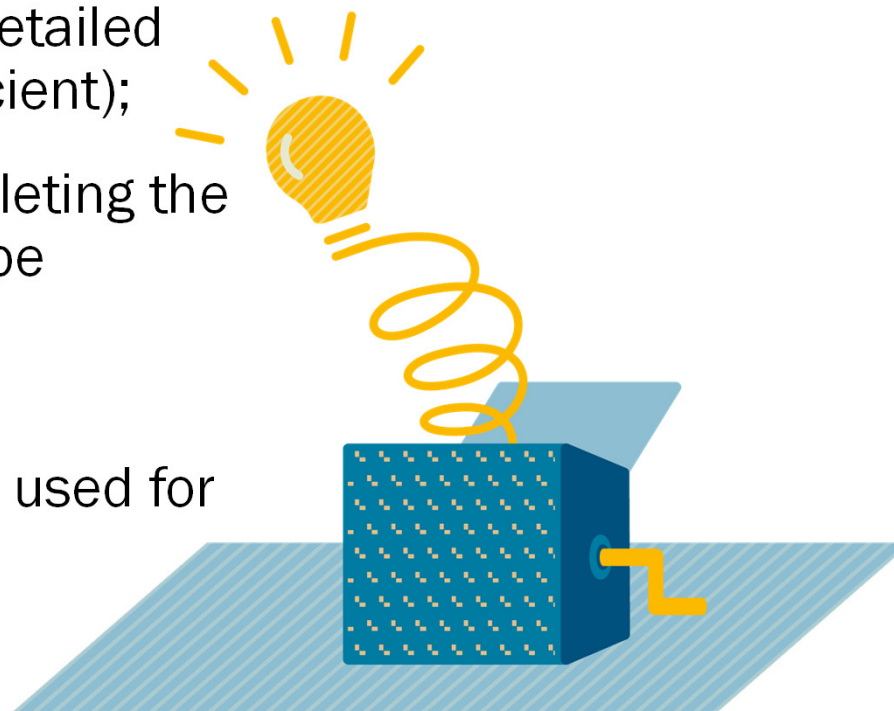
- Methodology is established ex-ante by the MA
- Risk-based selection is complemented by a random sample

## On-the-spot verifications

- MA keeps records of the operations selected and description of the sampling method
- Sampling method is reviewed annually
- Risk-based selection is complemented by a random sample
- Sample: high value operations, problems/ irregularities or unclear transactions have been identified

# Documenting of management verifications

- Recommended to use checklists:
  - for Interreg: adopt **Harmonised Checklists** developed by INTERACT;
- Checklist should be sufficiently detailed (one tick for eligibility is not sufficient);
- Name/position of a person completing the check and date of check should be recorded;
- Photos of deliverables, copies of promotional material, etc. can be used for publicity.



# Management verifications – obligations of MAs/ JSs

- Verify that the co-financed products and services have been delivered;
- Verify that expenditure declared by the beneficiaries has been paid;
- Verify that the expenditure declared **complies** with applicable law, the operational programme and the conditions for support of the operation;
- Ensure that the beneficiaries maintain a **separate accounting** system or an adequate accounting code;
- Set up procedures to ensure an adequate **audit trail**;
- Put in place effective and proportionate **anti-fraud measures**;
- Draw up management declaration.

# Management verifications – responsibilities of Member States

**Member States or third countries or territories** – each designates a body or person responsible for carrying out verifications in relation to beneficiaries on its territory:

- Each MS or 3<sup>rd</sup> country responsible for verifications carried out on its territory;
- MA shall satisfy itself that the expenditure of each beneficiary has been validated by a designated controller;
- *Recommended in the EC Guidance:* MA ensures that the responsible MS or 3<sup>rd</sup> countries put in place quality control procedures to verify the quality of the work by the controllers.

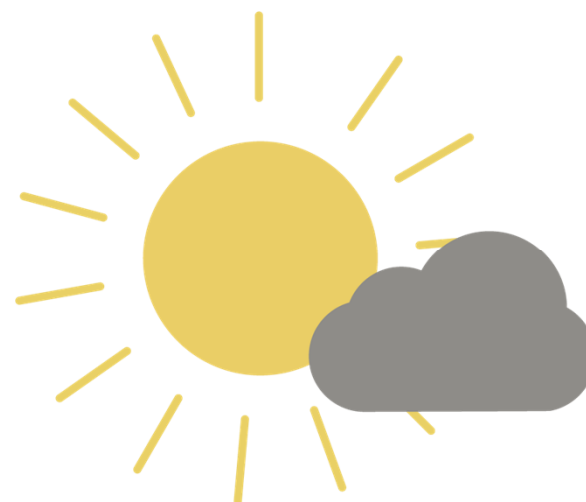
# Certifying Authority

- CA may be merged with MA;
- In some programmes MA and CA are even in different MS;
- Separation of functions must be ensured (CA should be able to say “NO” to MA opinion / request).



# Certifying Authority

- Verifies and certifies finally all eligible amounts to be claimed from COM via interim and final payment claims;
- Certifies annual accounts;
- Reconciles final payment claim with the accounts;
- Monitors irregularities, recovers and withdraws;
- May be involved in on-the-spot checks.



# Timing of management verifications

Each Member State shall ensure that the expenditure of a beneficiary can be verified within a period of **three months** of the submission of the documents by the beneficiary concerned.



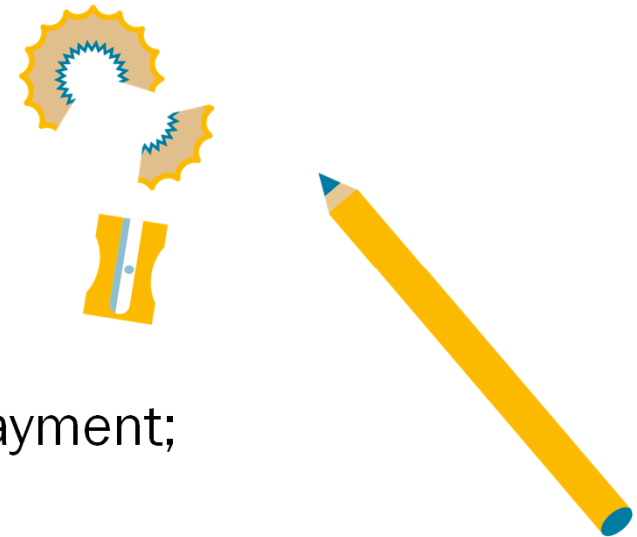


# Progress Report – sample check of the list of expenditures

## Your task

As a group, check a progress report extract:

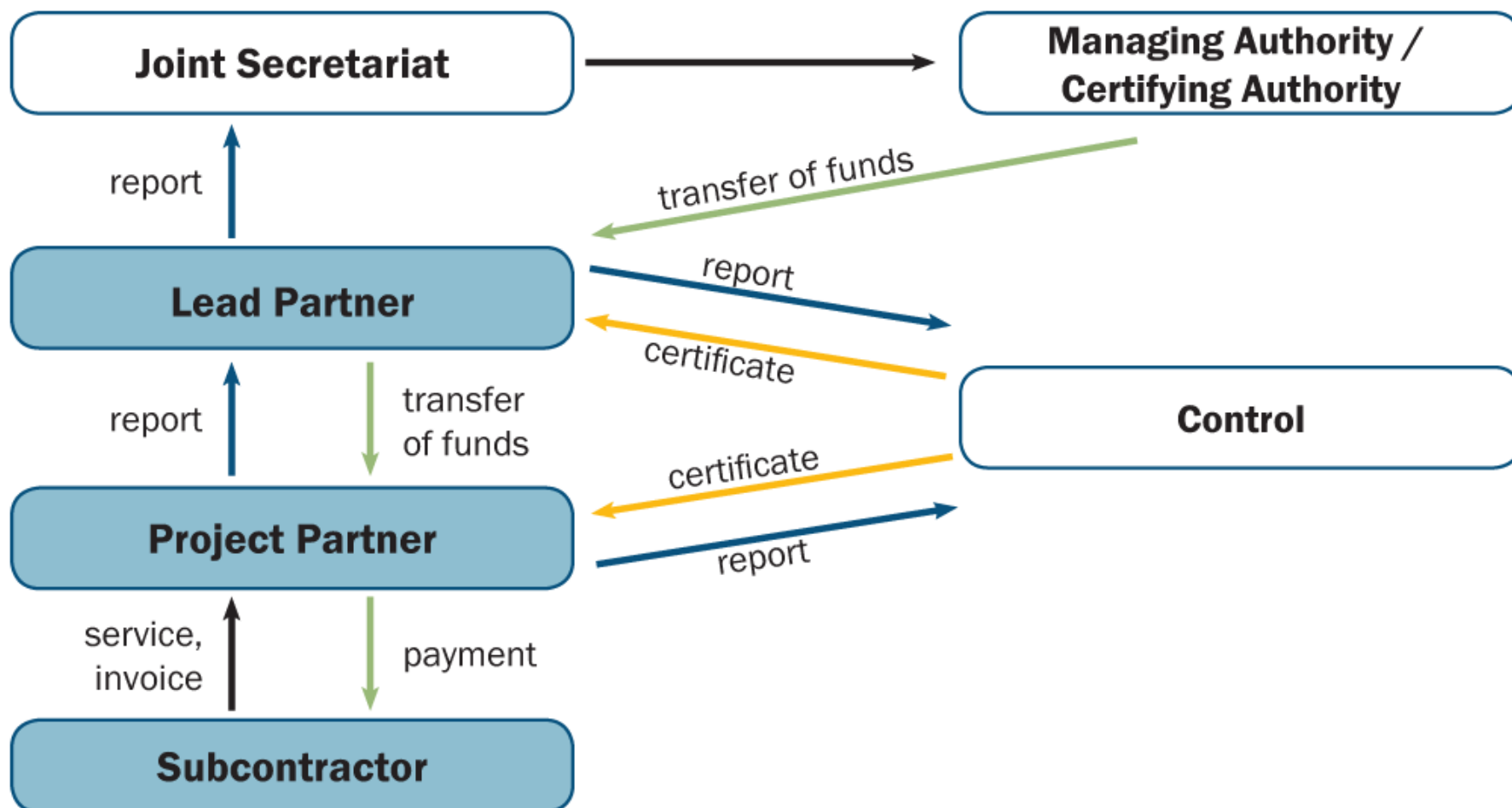
- attribution to the correct budget line;
- attribution to the correct work package;
- date of issuing an invoice and date of the payment;
- audit trail of supporting documents.



For the feedback you are asked to:

- be prepared to discuss your group's findings with other groups.

# Cash flow programme - project



# Cash flow Programme - project

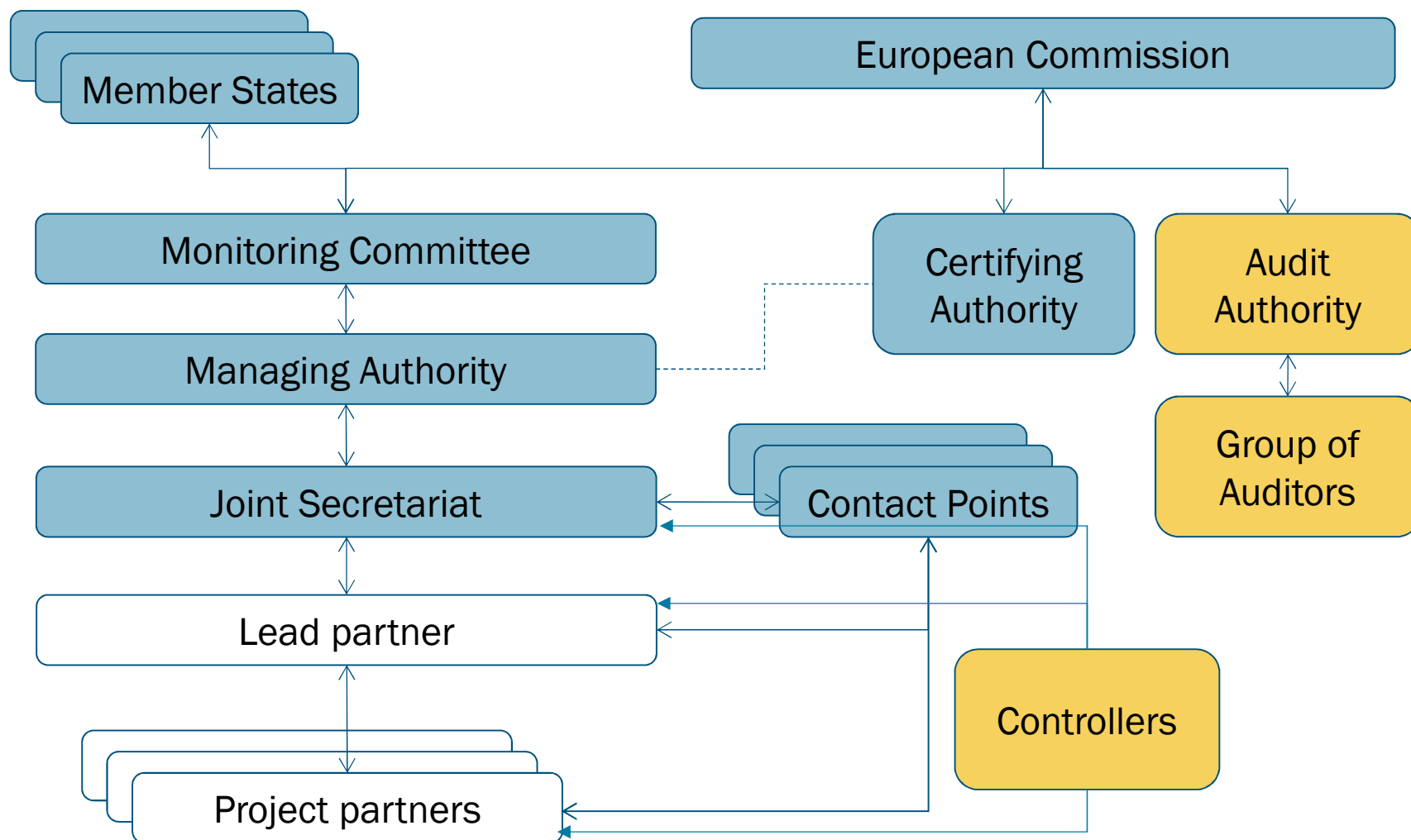
## Art. 132(1) of the CPR

The payment to the beneficiary needs to be done within **90 days** from the submission of the application for payment

The deadline may be interrupted by MA when:

- The amount claimed is not due or the appropriate supporting documents, necessary for management verification, have not been provided.
- An investigation has been initiated in relation to the possible irregularity affecting the expenditure concerned.

# Management and control system



# Audit Authority

Function	Responsibility
Works independently	Verifies the successful implementation
Located in the same Member State as the MA	Ensures that audits are carried out on: <ul style="list-style-type: none"> <li>• management and control system,</li> <li>• sample of operations,</li> <li>• annual accounts</li> </ul>

# Group of Auditors

Function	Responsibility
Supports Audit Authority	Performs and organises second level control in respective country
Representatives from each country in the programme	Reports back any findings to the AA

# System audit

## Purpose

Effectiveness

Reliability

## Procedure/ Outcomes

Once a year

Contradiction

Irregularities

Interruption

# Audit of operations

## Purpose

Accuracy

Reliability

Eligibility

## Procedure/ Outcomes

Once a year

Contradiction

Irregularities

Interruption

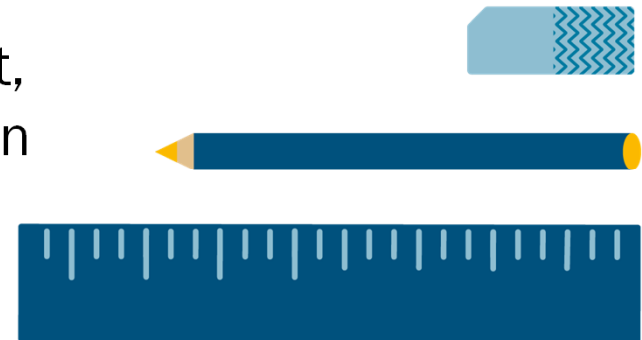


# Other auditing bodies

## European Commission

### OLAF

- investigates fraud against the EU budget, corruption and serious misconduct within the European institutions,
- develops anti-fraud policy for the European Commission,
- every irregularity higher than 10 000 EUR should be reported to OLAF



# Cooperation works

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All materials will be available on:

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