

### Case study 3. Control - Comments

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These pieces of information are intended only as inputs for participants and do not claim to be exhaustive.

### Exercise 1 / Tables 1 and 2

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#### General / for all budget lines:<sup>1</sup>

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- Internal guidelines if applicable (e.g. the lead partner has specific procurement rules - internal rules - guidelines for thresholds that centralised controllers could not check etc)
- Proof of the provision of national co-financing<sup>2</sup>
- Application form and subsidy contract (to verify if all declared costs are project-related). What happens if this is not the first time the project submit expenditures to the control?
- If applicable: supporting documentation justifying that the correct exchange rate has been used (national currency – EUR. See use of <http://ec.europa.eu/budget/inforeuro/>)
- Bank statement: Does the claimed amount correspond to the paid amount? Was it paid by the beneficiary? Is the print out of an electronic account enough?
- Previous financial claims (if applicable) and latest version of the approved project budget (if changed from the approved project) to check if the aggregated expenditure declared (since project start) is within the limits of the corresponding budget line.

#### External Expertise (trainer fees):

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- Original invoice (recipient, service delivered, discounts; no of invoice, amount declared compared to amount of invoice. etc)
- Where applicable, evidence that public procurement rules have been respected, e.g. selection procedures described in public administrative document. If not, evidence that the principles of sound financial management have been respected (collection of different offers, selection report to justify the choice of the trainer).
- All necessary documentation to prove the value for money (e.g. action plan/seminar outline and agenda attached to the offer and report on results attached to the invoice), the transparent selection criteria and information to deliverers (e.g. criteria grid for the service to be delivered, publication of call for tenders in local news papers, official journal) and equal treatment (e.g. in case of administrative appeal on assignment procedures, legal decision).
- Order/agreement/contract between contractor and contracting party, internal guidelines (if applicable).
- Products delivered by the expert (documentation, training material, participants and signed registration lists, report, photo documentation)

#### Catering:

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- Original invoice (recipient, service delivered, discounts, no of invoice, amount declared compared to amount of invoice etc)
- Where applicable, evidence that public procurement rules have been respected. If not, evidence that the principles of sound financial management have been respected (collection of different offers, selection report to justify the choice of the caterer)
- All necessary documentation to prove the value for money (e.g. action plan/seminar outline and agenda attached to the offer and report on results attached to the invoice), the transparent selection criteria and information to deliverers (e.g. criteria grid for the service to be delivered, publication of call for tenders in local news papers, official journal) and equal treatment (e.g. in case of administrative appeal on assignment procedures, legal decision).

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<sup>1</sup> Please note that project activities could have significant deviations from the approved project activities and affects eligibility issues that should have been solved in the approval phase, e.g.:

- For activities touching state aid rules: e.g. proof of compliance with the de minimis rule e.g. through provision of annual balance,
- For activities touching environment protection law: e.g. authorisation certificate from environment protection board,
- For activities touching gender mainstreaming issues: e.g. employers certificates

<sup>2</sup> Not needed in countries, where the national co-financing is provided by a national fund regulated by law, therefore approved projects receive these funding always (see Italy national "Fondo di Rotazione").

- Seminar agenda (to compare the date/place of service delivery as stated in catering invoice and the date/place of the seminar)
- Participants lists: number of participants vs quantity (food, drinks etc) ordered
- Signed registration lists (signatures of all participants from each day)
- Photo documentation, if available
- Order/agreement/contract between contractor and contracting party, internal guidelines (if applicable).

#### **Venue:**

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*Check national and programme rules, and the partnership agreement if it is not excluded to invoice costs between project partners.*

*If no specific rule apply:*

- Original invoice (recipient, service delivered, discounts; no of invoice, amount declared compared to amount of invoice etc)
- Where applicable, evidence that public procurement rules have been respected. If not, evidence that the principles of sound financial management have been respected (collection of different offers, selection report to justify the choice of the venue and the price)
- All necessary documentation to prove the value for money (e.g. action plan/seminar outline and agenda attached to the offer and report on results attached to the invoice), the transparent selection criteria and information to deliverers (e.g. criteria grid for the service to be delivered, publication of call for tenders in local news papers, official journal) and equal treatment (e.g. in case of administrative appeal on assignment procedures, legal decision).
- Order/agreement/contract between contractor and contracting party. Any extra conditions?
- Seminar agenda (to compare the date/place of rent as stated in invoice and the date/place of the seminar)
- Photo documentation, if available

#### **Travel and accommodation costs of project staff**

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- Per diems /daily allowance:
  - Working contract or other supporting document listing the applicable per diem rates.
  - Timesheet stating travel time
  - Seminar agenda (to check whether catering is provided or not – if provided, may have a consequence on the per diem)
- Travel costs:
  - Original invoices or accounting documents of equivalent probative value (e.g. train ticket stating price, sheet stating the use of own car, with corresponding no of kms and applicable fare rate, signed by the person).
  - Invoices to be accompanied by documents proving the reality of the travel (train tickets, flight boarding passes etc).
  - Alternative offers collected (cheapest and/or most environmental-friendly transport selected)
  - Internal rules /local authority regulations
- Accommodation costs:
  - Original invoice stating the no of nights, dates of stay, price per room, type of room (single/double):
  - Supporting document (e.g. approved mission request) stating that overnight stay is needed (despite the fact that the venue is located close to the premises of the lead partner) and justifying the type of accommodation selected (price, proximity to the seminar etc)
  - Alternative offers collected (cheapest and/or most convenient selected)
  - Internal rules /local authority regulations

#### **Publication costs**

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- **Printing by external printer:**
  - Original invoice (recipient, service delivered, discounts; no of invoice, amount declared compared to amount of invoice etc)

- Where applicable, evidence that public procurement rules have been respected. If not, evidence that the principles of sound financial management have been respected (collection of different offers, selection report to justify the choice of the printer)
- Participants lists: number of participants vs number of ordered quantity
- **In-house printing:**
  - Are the printing costs claimed only once as publications or as overheads) is it possible to check this? And if so, with what type of supporting document?? How to calculate overheads (international audit standards or programme rules?)
  - Sample of the printed documents (to verify reality of the activity and respect of publicity rules)
- **Shipping costs** (if not already declared under budget line “venue”):
  - Original invoice (recipient, service delivered, discounts; no of invoice, amount declared compared to amount of invoice etc)
  - Etc

**Exercise 2 / Tables 3 and 4<sup>3</sup>**

<b>Overheads</b>			
	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Are the costs project related?			
In case of indirect general cost, is the allocation basis transparent and justifiable?			
Evidence that the principles of sound financial management have been respected?			
In case of direct general costs does the recipient of service and the invoice correspond to the beneficiary?			
If applicable, is there an explanation of the calculation method for setting the REAL costs of overheads / international standards-programme calculation methods			
List of costs included in the calculation of the pro rata attribution of costs to the project			
Where applicable, evidence that public procurement has been respected. If not, evidence that the principles of sound financial management have been respected.			
Are there supporting documents justifying all these costs?			
Is a proof of payment evident?			
...			
<b>Comments</b>			

<b>Staff costs</b>			
	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Does a list of staff working in a project, stating name, qualifications, function, percentage of work dedicated to the project exist?			
Is the working contract available?			
Is the expenditure directly linked to the operation?			
Are staff costs justified at actual costs?			
For people working part-time for the project: total salary, calculation of daily cost and total amount charged to the project			
In case of voluntary work (if not excluded by the programme), are the valuation conditions satisfied?			
Is the payment of staff costs evident?			
Have payroll and social security documents been made available?			
Are the monthly timesheets available, properly filled-in and signed by the employee and supervisor?			
...			
<b>Comments</b>			

<sup>3</sup> Most information was collected from different existing checklists, in particular INTERREG IIIC East

<b>Equipment</b>			
<b>Total:</b>	<b>Asset depreciation range (month):</b>		
<b>Already depreciated (month):</b>	<b>Depreciation rate claimed (month):</b>		
	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Is the claimed position project related?			
Has depreciation been applied?			
If so, does the calculation correspond to national/programme depreciation rules for calculation?			
Is a proof of payment evident?			
Evidence that the principles of sound financial management have been respected?			
...			
<b>Comments</b>			

<b>Travel and accommodation</b>			
	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Are the costs project-related?			
Is it mentioned in the application form? Are the claimed travel and accommodation costs project-related?			
Evidence that the principles of sound financial management have been respected?			
Travel invoices paid directly by the company/institutions			
Is supporting documentation available (mission request, mission report including agenda, participants list, minutes, original invoices, boarding passes etc)*			
Supporting documentation justifying the calculation of per diems			
Is a proof of payment evident?			
...			
<b>Comments</b>			

\* To be observed: eligibility rules applicable to travel reimbursement (applicable per diem / daily allowance, use of private car, use of taxi, maximum hotel costs (usually 3 to 4 stars), maximum travel costs (usually economic class))

### Exercise 3 / Table 5

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1. Each project partner (incl. LP) transmits a list of expenditure, invoices and supporting documentation (dates in line with programme eligibility rules) for the reporting period 01.10.07-30.06.08 to their assigned controller
  - o There should be a regular financial management (listing and numbering all invoices, keeping all invoices and supporting documents in one and same place, photocopying all invoices into a specific folder etc) should be done regularly so that once the reporting period is closed, this step can be accomplished quickly.
2. Controller should validate the expenditure within a period of three months.<sup>4</sup> Consider following questions:
  - o How is the three months rule considered in the different CONTROL systems? (e.g. only starts once controller considers to have all necessary documentation)
  - o Is the controller in charge of controlling many different projects? If so, are there peak periods (with a risk of delay)?
  - o Does the centralised system have human capacity to ensure quick CONTROL? What happens if project partner, or worse LP, has a “slow” centralised system”?
  - o What about legal proceedings-administrative appeals on CONTROL decisions?
3. Each partner presents a certification of expenditure validated by their controller to the Lead Partner until 15 October 2008 at the latest. Consider the following:
  - o Have all partners their expenditure certified in due time? What to do if a partner’s certification is missing or incomplete/incorrect?
  - o Should partners also send copies of their invoices to the Lead Partner with the certification – or just a summary table? What if LP does not speak the language?
  - o Should the report made by the controller of each partner be sent to the Lead Partner (e.g. list of rejected expenditure, main findings)? If so, does it need to be translated into LP’s language?
  - o What should the LP control? That the expenditures have been validated by the Controllers. Is LP aware of the controller on the other side of the border?
  - o Has the LP controller a role to play? In some programmes it also signs that all expenditures have been validated.
4. In case that there are no requests for clarification by the Lead Partner it submits the project claim (summing up all certified amounts) into a single template, to the responsible body (JTS/MA) until 31 October 2008 at the latest.
  - o Lead partner to also submit an activity report (not always but in most cases)
5. In case that there are no requests for clarification by the JTS/MA the JTS sends the claim to the MA (if not directly sent to the MA) immediately (most programmes do not have fixed deadlines). The MA verifies ‘[...] *that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules [...]*’<sup>5</sup> Duration may vary a lot, e.g. depending on workload at the JTS/MA. The JTS/MA may also organise an on-the-spot or detailed administrative check on this occasion.
6. After verifications made by the MA/JTS, the Certifying Authority approves the application for payment and submits to the Commission a programme certified statement of expenditure and application for payment. Here again the duration may vary a lot, as the Certifying Authority should play a more active role in the current programming period, satisfying itself that control activities of the CONTROL and MA have been efficiently carried out. Should the Certifying Authority also check? Sample checks?
7. Payment made by the Commission shall be done not later than two months of the date on which an application for payment is registered with the Commission.<sup>6</sup>
  - o Payment to the final beneficiary (Lead Partner) should be done quickly by the Certifying Authority<sup>7</sup>. Some programmes may use available liquidities (e.g. from the Commission’s advance payment). If no liquidities are available, the final beneficiary will not be reimbursed until the Commission has paid the funds to the Certifying Authority.

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<sup>4</sup> Art 16 of ERDF Regulation (EC) No 1080/2006

<sup>5</sup> Art 60 lit b of Council Regulation (EC) No 1083/2006

<sup>6</sup> Art 87 (2) of Council Regulation (EC) No 1083/2006

<sup>7</sup> Art 80 of Council Regulation (EC) No 1083/2006

8. The Lead partner should transfer their share of funds to all 4 partners (this will include international transfers).
9. In some countries, the national co-financing were also provided to all partners by a national fund (e.g. Italy). Lead partner was transferring the ERDF part to partners, but not the national co-financing.

**General information:**

All certified statements of expenditures and applications received from the Certifying Authority by the Commission before 31 October each year will guarantee payment by the Commission in the current year<sup>8</sup>.

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<sup>8</sup> Art 87 (1) of Council Regulation (EC) No 1083/2006

## Exercise 4 / Group 6

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Two scenarios may be considered:

### **A Existence of agreement(s)**

Decommitment based on the agreed conditions between Project and Managing Authority (Subsidy Contract) and/or between Lead Partner and Project Partner (Partnership Agreement).

Example from Alpine Space<sup>9</sup>:

#### ***Decommitment of funds on project level:***

*Following the **Subsidy Contract (SC)**, this decommitment risk on programme level has also consequences on project level. If a project only presents certifications of expenditure legitimating an ERDF request of less than 80% of the foreseen ERDF request according to table 6.2 of the Application Form (AF), the **difference will be deducted proportionally according to the decommitment on programme level.***

*The **Partnership Agreement (PA)** foresees that in the case of a decommitment on project level the deduction shall be imputed to the project participants that have contributed to it by not reporting according to the budget plan of the project unless a different decision is taken by the Project Steering Group (PSG).*

Anyway, the activities that were planned in the Application Form and are not carried out by a partner might affect the activities of other partners (e.g. if these are preliminary activities). It might be therefore necessary to shift budget for partners, in order to implement the project. In this case, the Monitoring Committee should decide.

### **B Non existence of agreement(s)**

Decommitment is neither ruled by any contract between the Managing Authority and the Lead Partner nor between the Lead Partner and the Project Partner. In this case the Member State bears the risk of decommitment (Art 93 ff of Council Regulation (EC) No 1083/2006) and the programme would lose the part of the decommitted ERDF budget.

The JTS can only ask the Lead Partner (or the project partner directly) on an informal level to push the partner in order to avoid decommitment.

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<sup>9</sup> Alpine Space, FactSheet No. 6.1, Version: 29/11/2007, page 1