



INTERact

Sharing Expertise

INTERACT POINT VIENNA

**First Level Control in Territorial Cooperation programmes
and IPA CBC under shared management**

Case Study and Eligibility

1-2 July 2009 | Bucharest





Eligibility issues covered

- General
- Overheads
- Geographic eligibility
- Double funding
- Cost-sharing / project management costs
- Checks against environmental rules
- Checks against equal opportunities
- Publicity and information



General Rules

- Start date for eligibility 1 January 2007 or date of submission of OP - programmes may choose to have their own specific eligibility rules (check for preparatory costs)
- Expenditure - “actually been paid”



The following expenditures shall not be eligible under IPA Regulation

1. Customs and import duties
2. Fines, financial penalties and expenses of litigation
3. Purchase of land for an amount exceeding 10% of the total expenditure for the operation
4. Operating costs
5. Second hand equipment
6. Conversion costs, charges and exchange losses, except for transnational financial transactions (opening and administering a bank account)
7. Contributions in kind
8. Interest on debt



In-kind contributions

Not Eligible

Provision of land or real estate, equipment or raw materials, research or professional work or unpaid voluntary work



The following expenditures shall be eligible for IPA CBC component (1)

Value added taxes if they are not recoverable by any other means; if it is established that they are borne by final beneficiary; if they are clearly stated in the project proposal

If in any doubt about the eligibility of VAT the answer should be not eligible



The following expenditures shall be eligible for IPA CBC component (2)

Financial charges and guarantee costs

- Charges for transnational financial transactions
- Bank charges for opening and administering a separate account(s)
- Legal consultancy fees, notary fees, technical and financial experts, accountancy and audit costs - directly linked to the operation, needed for its preparation or implementation or for accountancy and audit required by the MA



The following expenditures shall be eligible for IPA CBC component (3)

Public authorities expenditure excluding technical assistance - eligible costs

1. Costs of professional services provided by a public authority other than the beneficiary in the preparation or implementation of an operation.
2. The costs of the provision of services relating to the preparation and implementation of an operation where the public authority is the beneficiary acting on its own behalf.

Conditions:

- Costs must be invoiced - 1) or certified in a way which permits identification of the real cost to the public authority.
- Costs 2) must be additional costs and relate to cash (actually and directly paid for the co-financed operation). Real costs must be identified.



Further rules on eligibility may be laid down by the participating countries in the cross-border programme



Related errors 2000-2006

- No documents or invoices only
- No audit trail for national co-financing amount
- Inclusion of small ineligible items (check especially credit card payments, petty cash)
- No adequate calculation for part-time staff costs and/or overhead costs
- Ineligible costs included in overheads
- No attempt to reclaim VAT
- Inconsistent use of exchange rates
- Costs not related to the project



Overheads

- Eligible if based on real costs or on the average real costs attributable to operations of the same type
- Flat rates not to exceed 25% of the direct costs of an operation which can affect the level of overheads
- Calculation to be properly documented and reviewed



Overheads

The basic overheads rules

1. Overheads must be based on real and necessary costs incurred by the project - just like all other costs
2. Allocation of overheads has to be transparent and plausible (pro rata) - Calculation method must be available for control
3. Costs have to be updated for every claim
4. Beware of inclusion of costs in overheads which should be allocated directly to the project (e.g. staff costs exceeding limits)
5. Beware projects including in overheads costs which are ineligible under national and EC rules (e.g. penalty charges)



Overheads

What is 'necessary'?

1. Overheads include: Office supplies and photocopies, office furniture, electricity, heating, other utilities (water etc), charges for phone, fax and internet services, cleaning, IT support for computers / printers etc., rent if the building is not owned by the host organisation, taxes on the building, insurance for the building
2. Overheads do not include: Costs for snacks, drinks, meals etc, social events, works of art
3. Do overheads include: Window cleaning, security guards, plants in offices etc.?
4. For details, national rules apply
5. Some national rules exclude overheads that cannot be charged as a direct cost



Double funding check

- FLC Verifications shall include procedures to avoid double financing of expenditure with other Community or national schemes and with other programming periods.
- Check of the beneficiaries' accounting systems should verify that same item cannot be included twice
- Will not detect fraud with invoices where recommended reliable procedure is to stamp all invoices included in every claim



Relation to the approved operation

- Is expenditure in line with the approved application and the activities included in the interim report?
- How often should an interim report be prepared?
- Can the Lead Beneficiary also confirm this from its own checks?
- Are there activities outside the eligible area? Have they been approved in advance and do they comply with programme limits?



Cost-sharing / project management costs

- Justifiable where one partner carries out activities on behalf of other partners
- Relationship between partners is not a supplier - provider relationship: No invoices, no VAT, no profit!
- Any payments should be regarded as reimbursements
- Shared costs are still based on real costs
- Be aware of sub-contracting between partners
- Where consultants are used for project management, selection must be based on non-discriminatory tendering process



Cost-sharing / project management costs*

- Must be transparently documented and agreed in the application and partnership agreement
- One partner implements, pays and has activities controlled
- Partner MSs must agree to this control procedure and request for reimbursement documents
- Invoices between partners should not be used because of the risk of double funding
- Request for reimbursement must be treated as document of equal probative value to an invoice
- Partners reimburse funds
- Beware of documentation needed to secure co-financing

* Based on IIB Alpine Space. Check individual programme arrangements



Compliance with EU ‘horizontal objectives’

“...the Community shall contribute to the harmonious, balanced and sustainable development of economic activities, the development of employment and human resources, the protection and improvement of the environment, and the elimination of inequalities, and the promotion of equality between men and women”.



Checks against environmental rules - general

1. Water, air, nature, waste and chemicals are the main (but not the only) themes
2. OP includes a Strategic Environmental Assessment (SEA) highlighting the main issues
3. Should also contain compulsory indicators for monitoring environmental impacts
4. National procedures for approving investments should take full account of EU environmental rules (including Environmental Impact Assessment and public consultation)
5. Project approval decision should be regarded as an initial acceptance of project's environmental aspects



Checks against environmental rules

1. Management Verifications Guidance note contains examples of the legislation most commonly relevant to programmes
2. Some Operational Programmes contain additional lists of national legislation
3. Checks should focus on whether the correct approvals have been obtained



Checks against equal opportunities

1. Use programme indicators
2. Equal opportunities apply to sex, racial or ethnic origin, religion, belief, disability, age, sexual orientation
3. Check especially non-discrimination in access to the Funds
4. Many aspects of implementation can be checked to ensure non-discrimination



Publicity and information

1. The Commission and the relevant national, regional or local authorities of the beneficiary countries shall agree on a coherent set of activities to make available, and publicise, in the beneficiary countries, **information about assistance under the IPA Regulation**. (718/2007 §63)
2. The procedures for implementing such activities shall be specified in the sectoral or financing agreements.
3. Implementation of the activities .. shall be the responsibility of the final beneficiaries, and shall be funded from the amount allocated to the relevant programmes or operations.
4. Breaches of publicity rules: a common problem spotted in Commission audit - particularly but not only failure to put proper logos on publications