Managing finances

9 April 2019 | Lead Partner Seminar, Brussels

Content

1. Remember the basics

2. First level control

3. Reporting procedures

4. Budget lines

5. Interactive exercise

Remember the basics

Basic principles

I. Plan sufficient resources and time

II. Put in place solid internal communication tools

III. Agree on timelines and procedures

IV. Be aware of different administrative cultures

Lead partner principle

Lead partner =

- formal link between the project and the managing authority/joint secretariat

- responsible for management, communication, implementation and co-ordination of activities

▶ Legal basis: *article 13 of the ETC Regulation (EU) No 1299/2013*

References

- Useful information in the **programme manual**:
  - Section 6.2: Reporting
  - Section 7: Financial management

- See also the **Delegated Regulation** (EU) 481/2014

First Level Control
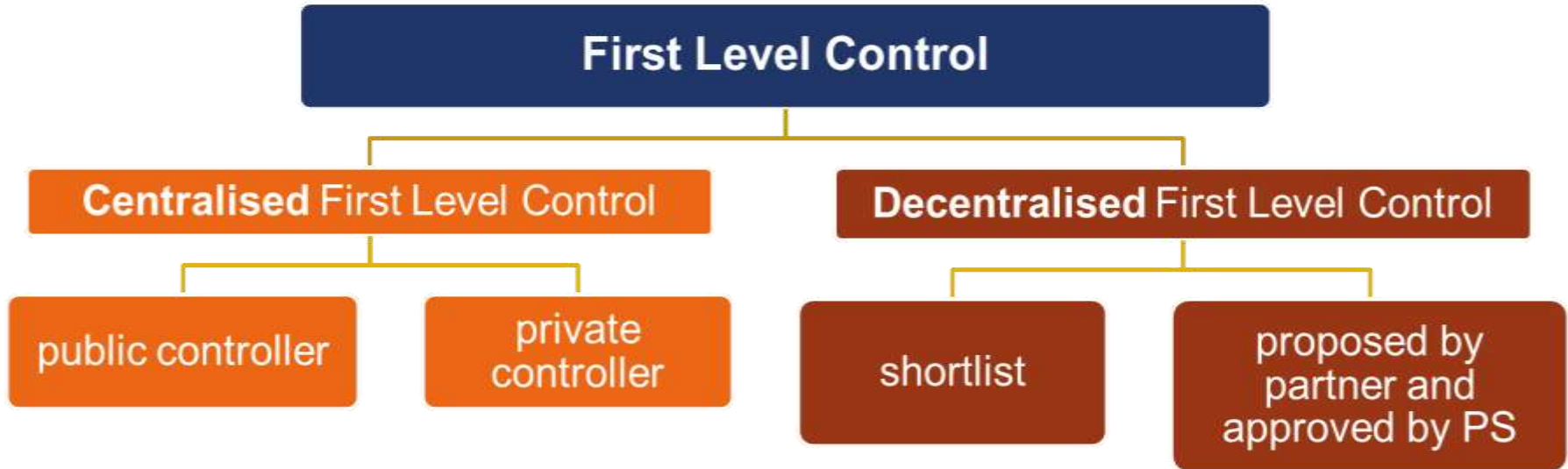
FLC and regulatory requirements

- All expenditure reported has to be **certified** by an independent **controller**, before submission to the JS

- The organisation of this control = Partner State responsibility

    ▶ Legal basis: *Art. 23 (4) of Regulation (EU) 1299/2013*

The different FLC systems

First Level Control

Centralised First Level Control
- public controller
- private controller

Decentralised First Level Control
- shortlist
- proposed by partner and approved by PS

First level control systems

CENTRALISED (15):
Belgium: Brussels + Wallonia, Croatia, Czech Republic, Estonia, Greece, Hungary, Ireland, Latvia, Luxemburg, Poland, Romania, Slovakia, Slovenia, Sweden, Northern Ireland (UK)

DECENTRALISED (16):
Austria, Belgium-Flanders, Bulgaria, Cyprus, Denmark, Finland, France, Germany, Italy, Lithuania, Malta, Netherlands, Norway, Portugal, Spain, United Kingdom

+ Validation for Portugal & Spain !

Conclusions

- LP asks partners to get to know their FLC system as soon as possible

- For decentralised systems:

  - Procure and contract first level controller

  - Ask national approbation body to approve the FLC

Tip 1: Procurement and designation take time.

Don't leave it to the last minute !

Time for questions

Reporting procedures

Reporting procedures – timeframe for reporting

Example: 4th call project

	Reporting period		Deadline for submission
Phase 1 (e.g. 36 months)	six-monthly	1 August – 31 January 1 February – 31 July	1 May 1 November
Phase 2 (12 months)	annual	1 August – 31 July	1 August

Reporting procedures – main steps

1. The **project partner** completes the list of expenditure   in iOLF (partner report)

2. The **FLC** checks and confirms eligible expenditure
   ▪ Control report including checklist
   ▪ FLC certificate

3. The **lead partner** checks and includes partner reports in the joint progress report

Tip 2 :   Set a realistic frame!

Reporting procedures – timeframe for reporting (I)

1 May 2020

Possible to have a sound financial reporting in place and to be able to report costs in full and on time by 1 May 2020?

YES

Reporting procedures – timeframe for reporting (II)

Partners reporting to their FLC:

- Fill in report continuously during semester
- Submission to the FLC shortly after the end of the reporting periods

Reporting procedures – timeframe for reporting (III)

Partners reporting to their LP:

- Submission of partner reports early enough to compile PR

Tip 3: Agree on internal deadlines!

Reporting procedures – Lead partner responsibilities

The **lead partner** checks the partner reports on the basis of:

- The FLC certificate
- The control report incl. checklist
- The list of expenditure + list of contracts

  No longer special role for the lead partner's controller!

Reporting fully online (I)

Reporting is fully online through iOLF system:

NO submission of paper documents to JS

Reporting fully online (II)

In iOLF:

- Partner reports (incl. list of expenditure and list of contracts)

- FLC designation (no longer designation certificates for decentralised countries)

- FLC certification (incl. the first level control certificate, the control report & checklist)

- Validation (for ES + PT partners)

- Joint progress report

Reporting fully online (III)

In iOLF:

- Partner reports can be created anytime

- Joint progress report is opened by the JS at the end of the reporting period

Getting you started

http://www.iolf.eu/

Welcome to the Interreg Europe online application and reporting system

Log in

Email	
Password	

Register if you don't have an account.   ➡ Log in

Forgot Password?

Need help? Mail to **info(at)interregeurope.eu** with subject "iOLF Question" or call +33 3 61 76 59 59

The use of iOLF signifies unconditional acceptance to the terms and conditions.

Invite your partners

Step 1: create new user

- Project user widget

- New user

Invite your partners

▶ **Step 2**: Manage the partner's rights

- Full admin rights
- Partner write rights
- Read only

▶ **Step 3**: Partner's confirmation

FLC access to iOLF

- **Centralised** FLCs exist in the system already

- **Decentralised** FLCs need to contact their Approbation body once they are selected and approved, to be assigned to the project partner in iOLF

Project users vs. Partner contact details

Project History

Title	Version	Status	Last Updated
Progress report 1	1	Open	WebApi 30/05/2017 11:39:37
Application Form	1	Submitted 30/05/2017 09:40 a.niechajowicz@interregeurop e.eu	a.niechajowicz@interregeurop e.eu 30/05/2017 09:41:05

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	Name	Size	Changed on
☐	2 Call - Finance seminar - Agenda - updated - Copy.pdf	232.09 kB	26/05/2017
☐	2 Call - Finance seminar - Agenda - updated.pdf	232.09 kB	26/05/2017
☐	2 Call - Finance seminar - Agenda - updated.pdf	232.09 kB	26/05/2017
☐	2 Call - Finance seminar - Agenda - updated.pdf	232.09 kB	26/05/2017
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☐	2 Call - Finance seminar - Agenda - updated.pdf	232.09 kB	26/05/2017
☐	2 Call - Finance seminar - Agenda - updated.pdf	230.12 kB	29/05/2017
☐	2 Call - Finance seminar - Agenda - updated.pdf	230.12 kB	30/05/2017
☐	2_Call_Finance_seminar_-_Agenda.pdf	232.09 kB	26/05/2017

Partner Contact Detail ⓘ

+ Partner Contact Detail

Partner	Version	Status	Last Change	
PP 4	1	Valid	f.braconne@interregeurope.eu 26/05/2017 10:08	▼

Policy Instrument Progress ⓘ

▣ Open policy instrument report

Report	Period	Status	Last change
Report on policy instruments for PR1	01/01/2018 - 30/06/2018	Open	WebApi 30/05/2017 11:39

Partner's reports ⓘ

+ Partner Report

No project partner reports found

Project Users

Application Form (Version 1) ∨ | 🔧 User Administration

Number	Organisation (English)	Email	Status
LF		f.braconne@interregeurope.eu	Active
LP	Partner A	lp@seminar.eu	Active
PP 2	Partner B	partnerB@seminar.eu	Active
PP 3	Partner C	partnerC@seminar.eu	Active
PP 4	Partner D	partnerD@seminar.eu	Active
PP 5	Partner E	partnerE@seminar.eu	Active
PP 6	Partner F	partnerF@seminar.eu	Active
PP 7	Partner G	partnerG@seminar.eu	Active
PP 8	Partner H	partnerH@seminar.eu	Active
PP 9	Partner I	partnerI@seminar.eu	Active
PP 10	Partner J	partnerJ@seminar.eu	Active

Manage contact details

- The only place where contact details are edited
- Partner details can be changed by partner & LP
- Make sure contact details always up-to-date

Partner Contact Detail ⓘ		Please select ▾	+ Partner Contact Detail
Partner	**Version**	**Status**	**Last Change**
LP	1	Valid	k.ecke@interregeurope.eu 14/04/2017 15:57
PP 2	1	Valid	k.ecke@interregeurope.eu 14/04/2017 15:57
PP 3	1	Valid	k.ecke@interregeurope.eu 14/04/2017 15:57
PP 4	1	Valid	k.ecke@interregeurope.eu 14/04/2017 15:58

Manage contact details

Check our video tutorial!

https://www.interregeurope.eu/projects/implement-a-project/?menu-option-selection_2=5120b

Video tutorials on reporting in iOLF

https://www.interregeurope.eu/projects/implement-a-project/

Help

- Info bubbles

- Check button

- Error messages

- Video tutorials on reporting in iOLF

  https://www.interregeurope.eu/projects/implement-a-project/

Time for questions

Budget lines

General principles (I)

Different levels of rules:

- European: EU regulations
- Programme
- National
- Partner/institutional

General principles (II)

▶ **CONSISTENT**

allocate the expenditure to the right budget line

▶ **JUSTIFIED**

unforeseen expenditure items or over/underspend needs to be justified

▶ **COHERENT**

reported activities and finances have to match

General principles (III)

Eligibility of costs is determined by the **relevance of the activities**!

Costs necessary to

▼

- Carry out the project activities
- Achieve the project objectives

Eligibility period

- Eligibility period from project approval by monitoring committee (**26 March 2019**) to project end date

- Submission date of last report = project end date = end date of eligibility of costs

Eligibility – Financing of joint activities

No shared costs !

▼

Contracting partner principle applies

Share activities, not costs!

Contracting partner = the only one reporting and receiving the ERDF!

Eligibility – points of attention

Prior approval from JS necessary for items not already specified and approved in the application form, e.g.

- Activities/travel outside the programme area
- Promotional material (e.g. gadgets)
- Equipment

Preparation costs

- Lump sum of EUR 15,000 per project attributed to LP
- Covers costs linked to the **preparation of the application**
- Added **only** to the reported **lead partner's expenditure** in PR1
- Distribution among partners regulated internally by project partnership agreement – only lead partner reports to the programme!

▶ **No supporting evidence required!**

Budget lines

- Staff

- Administration costs

  (15% flat rate)

- Travel and accommodation

- Equipment (only if planned/pre-approved)

- External expertise and services

Only for staff directly employed by the partner organisations

Staff costs: principles

For partner staff only (employment contract)

Not for staff employed by other bodies even if

- 100% owned by partner
- seconded to partner
- they are members (of association, umbrella organisation)
- if seated in partner organisation

▶ *Programme manual section 7.2.1 & Delegated Regulation (EU) 481/2014, Article 3*

Staff costs: calculation

→ SIMPLIFICATION!

1. Full-time on project? > Real cost charged

2. Fixed % on project? > % of real cost charged

If the hourly rate indicated in the contract > hourly rate option (only applicable in some specific countries!)

Staff costs: fixed percentage

NEW

1. **Full-time on project?** > Real cost charged

   - NO timesheet ▶ mission letter

2. **Fixed % on project?** > % of real cost charged

   - NO timesheet ▶ mission letter

Public procurement (I)

No programme-specific rules

Public procurement applicable rules:

- the EU public procurement directives (Directive 2014/24/EU)
- national rules
- internal rules of the partner organisation

The stricter rule must always be applied

Programme manual section 7.5.6

Public procurement (II)

Most common mistakes

- Inadequate procedure chosen (e.g. direct award of contract not justified)
- Insufficient publicity
- The value of the contract not estimated at institutional level
- Splitting the contracts to fit below thresholds
- Insufficient audit trail (e.g. missing documents)

Public procurement (II)

Direct award - Common non-justified reasons

"Urgency"

"The only one"

"More economic – no cost for training new person"

"Good value (based on old comparison)"

Public procurement (II)

Direct award - Common non-justified reasons

"Urgency"   "The only one"

"More economy, no cost for training new person"   "Good value (based on old comparison)"

Objective reasons needed (**the market should prove**)

Dealing with financial changes

- Budget may slightly change during the implementation of your project.

How to deal with such small changes?

▼

20% Flexibility rule, not requiring JS pre-approval!

Programme manual section 6.3.5 'Changes in the budget'

Phase 2 lump sum

- EUR 17,000 per policy instrument addressed

- Coverage of all costs related to **predefined phase 2 activities**

- Allocated to the LP's budget and paid out with approval of last PR

- Shared among the partners on the basis of the project partnership agreement

Phase 2 lump sum (II)

- No content related activities should be scheduled in the last 3 months of phase 1

- Make sure to pay out all costs related to phase 1 activities by the end of phase 1

- **No real costs reporting in phase 2!**

Phase 2 lump sum (III)

No outputs

=

No lump sum

Progress report phase 2

Description of action plan implementation

Progress report last semester phase 1

Website updated

Partner meeting

Final dissemination event

Phase 2 lump sum (IV)

- No supporting documents needed to prove that costs have been incurred and paid out

- Only supporting documents proving the delivery of phase 2 outputs

- No costs needed for FLC in phase 2 ▶ done by JS

- No FLC costs needed for the last report of phase 1 ▶ included in the lump sum

Check out **section 7.4 programme manual**

Time for questions

Practical exercise

Practical exercise : n°1

One of your project partners would like to produce umbrellas with the project's logo to promote the project among their stakeholders. They ask if they could report the costs to the programme.

This was not planned in the application form.

What is your response?

Practical exercise : n°1

A. You agree to your project partner's request

B. You are not sure whether these costs can be considered as promotional material so you double-check with the JS

C. This was not planned in the application form so costs are not eligible

Practical exercise : n°2

When reporting staff costs, do you need to provide timesheets?

A. Yes

B. No

Practical exercise : n°2

No timesheet is needed when making use of a **fixed percentage** (100% or less)

BUT **mission letter** required (issued at the beginning of the reporting period: think about it asap!)

Practical exercise : n°3

▶ Interreg Europe event ends on Thursday, 11/04

From Friday,12/04, what are the steps you are going to take care of **for reporting in PR1**?

Practical exercise : n°3

Next steps for reporting:

- Check out the FLC system applicable in your country and ask your project partners to do the same
- If decentralised FLC system, start procedure to procure and contract FLC
- If decentralised FLC system, check out steps to have your FLC approved by approbation body

Practical exercise : n°4

For which costs you do not have to prove that expenses have been incurred and paid out?

Practical exercise : n°4

No real costs reporting for:

- **preparation costs** covered by **lump sum**

- **administration costs** calculated as **15% flat rate** on staff costs

- costs for **phase 2 pre-defined activities** covered by **lump sum**

Thank you!

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Back up slides

Partner report in the iOLF system (I)

▶ Expenditure

| Summary | ! Activities summary | ! Contact details | ✔ List of contracts | ✔ Expenditure | ✔ External expertise and services | ✔ Equipment |

| 🖫 Save | ⊘ Check | ↻ Refresh exchange rates | 🗎 Export to Excel | | Reporting period 1 ⌄ | Version 1 (Created) ⌄ |

4. List of Expenditure ⓘ

Budgetline ⓘ		Total budget	Previously reported	Currently reported	Certified amount	Total reported so far	% of Total reported so far	Remaining budget
Staff costs	✔	105,000.00	0.00	0.00	0.00	0.00	0.00%	105,000.00
Office and administration		15,750.00	0.00	0.00	0.00	0.00	0.00%	15,750.00
Travel and accommodation	✔	12,000.00	0.00	0.00	0.00	0.00	0.00%	12,000.00
External expertise and services	✔	53,200.00	0.00	0.00	0.00	0.00	0.00%	53,200.00
Equipment	✔	0.00	0.00	0.00	0.00	0.00	0.00%	0.00
(Net Revenue)		0.00	0.00	0.00	0.00	0.00	0.00 %	0.00
Total		185,950.00	0.00	0.00	0.00	0.00	0.00 %	185,950.00

Partner expenditure breakdown per source of funding

	Total ⓘ	ERDF/Norway	Total partner contribution	Partner contribution from public sources	Partner contribution from private sources
Declared by Partner	0.00	0.00	0.00	0.00	0.00
Certified by FLC	0.00	0.00	0.00	0.00	0.00

Partner report in the iOLF system (II)

▶ List of contracts

3.2.4 List of contracts awarded subject to the provisions of EU public procurement directives

Number ⓘ	Partner	Supplier name	Contracted amount (excluding VAT)	Contracted amount (including VAT)	Procedure applied	Contract type	Reported amount in current report	Previously reported	Reported amount	Comments (optional)	
	Please select ✎	^ ∨	0.00	0.00	Please select ✎	Please select ✎	0.00	0.00	0.00	^ ∨	✖
	Please select ✎	^ ∨	0.00	0.00	Please select ✎	Please select ✎	0.00	0.00	0.00	^ ∨	✖

➕ Add Contract

Phase 2 lump sum

Number of policy instruments monitored	Lump sum for phase 2 for the whole partnership in EUR
3	51,000
4	68,000
5	85,000
6	102,000
7	119,000
8	136,000
9	153,000
10	170,000
11	187,000
12	204,000
etc	etc.

Average of €17,000 per instrument

The flexibility rule

▶ Section E.1 of the application form - E.1 Budget breakdown per budget line and partner

Total partner budget!

Partner	Preparation costs	Staff costs	Office and administration	Travel and accommodation	External expertise and services	Equipment	Revenues	Total partner budget
1. ████	15,000	220,000	33,000	23,000	10,000	0	0	. 301,000
2. ████	0	60,000	9,000	20,000	37,500	0	0	126,500
3. ████	0	151,100	22,665	17,000	86,600	3,000	0	280,365
4. ████	0	94,500	14,175	17,000	24,800	0	0	150,475
5. ████	0	116,000	17,400	11,000	29,685	0	0	174,085
6. ████	0	152,900	22,947	20,500	56,293	0	0	252,720
7. ████	0	125,000	18,750	23,500	97,250	0	0	264,500
	0.97 %	59.34 %	8.90 %	8.52 %	22.08 %	0.19 %	0.00 %	
Total	15,000	919,580	137,937	132,000	342,128	3,000	0	1,549,645

Total budget line amount!

The flexibility rule

- Lead partner to agree on the changes in cooperation with partnership

- Lead partner to keep an overview on all the budget changes > Problems may occur if budget flexibility not monitored closely

- JS to advice, but FLC responsible to confirm the eligibility of the costs