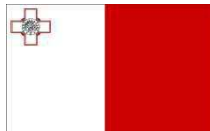


Financial Management

Eligibility of Expenditure on Interreg Europe Budget Lines

*Financial Control Unit,
Funds and Programmes Division
MEAIM*

Date: 14/11/16



INTERREG EUROPE Programme

*Sharing solutions for better regional policies
Programme part financed by the European Union
European Regional Development Fund (ERDF)*

Co-financing rate: 85%/75% EU Funds; 15%/25% National Funds

Investing in your future



Presentation Outline

- 1. Eligibility of Expenditure at Project Level***
- 2. Budget Lines Categories***
- 3. Preparation Costs***
- 4. Ineligible Expenditure***
- 5. Public Procurement***
- 6. Preventing Fraud in Public Procurement***



Eligibility at Project Level, costs must:

- *Necessary for carrying out these activities and achieve the project's objectives and be included in the estimated budget.*
- *Be in accordance with the principles of sound financial management i.e. reasonable, justified, consistent with the usual internal rules of the partner, the EU, the programme and national rules.*
- *Be identifiable, verifiable, plausible and determined in accordance with the relevant accounting principles.*
- *Be incurred and paid by the partner organisation, debited from its bank account no later than the project end date, be substantiated by proper evidence allowing identification and checking.*



EU funds | 2014
for Malta | 2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

Budget Lines applicable for Interreg Europe

- 1. Staff*
- 2. Office and administrative expenditure*
- 3. Travel and accommodation*
- 4. External expertise and services*
- 5. Equipment*

Staff

Consist of costs for staff members employed by the partner organisation, as listed in the application form and who are working full time or part time on the implementation of the project.

Cover the partner organisation's gross employment costs, which usually comprise the following:

- a. Salary payments (fixed in an employment/ work contract).
- b. Other costs directly linked to salary payments paid and not recoverable by the employer such as Employment taxes and Social Security (including health coverage and pension contributions)

Overheads and any other office and administrative expenditure cannot be included in this budget line.

Staff (cont.)

Staff may be employed as follows:

- a. Person employed by the partner organisation, and working **full-time** on the project.
- b. Person employed by the partner organisation, working **partly** on the project at a **fixed percentage**.
- c. Person employed by the partner organisation, working **partly** on the project at a **flexible percentage** (flexible number of hours per month)
- d. Person employed by the partner organisation on an **hourly basis**.



EU funds
for Malta | 2014
2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

a. Person employed by the partner organisation, and working full-time on the project.

Supporting documents for the verification of expenditure (First Level Control)

- 1. Employment Contract or any other equivalent legal agreement with partner organisation;*
- 2. Document clearly showing that the employee works 100% of the time on the project (it can be the working contract and/or any other document issued by the employer such as a 'mission letter');*
- 3. Payslips and;*
- 4. Proof of Payment.*

a. Person employed by the partner organisation, and working full-time on the project.

Example

| | | |
|---|---|-------|
| A | Total monthly salary costs (gross salary and employer's social contributions) | €5000 |
| B | % of the time worked per month on the project | 100% |
| C | Eligible costs: (A * B) | €5000 |



b. Person employed by the partner organisation, working partly on the project on a fixed percentage.

Supporting documents for the verification of expenditure (First Level Control)

- 1. Employment Contract or any other equivalent legal agreement with partner organisation;*
- 2. Document setting out the percentage of time to be worked on the project per month (it can be the employment contract and/or any other document issued by the employer, clearly identifying the fixed percentage of monthly time dedicated to the project);*
- 3. Payslips and;*
- 4. Proof of Payment.*



b. Person employed by the partner organisation, working partly on the project on a fixed percentage.

Example

| | | |
|---|---|-------|
| A | Total monthly salary costs (gross salary and employer's social contributions) | €5000 |
| B | Fixed % of the time worked per month on the project | 60% |
| C | Eligible costs: (A * B) | €3000 |

c. Person employed by the partner organisation, working partly on the project on a flexible percentage (flexible no. of hrs per month)

- c.1. Calculation based on the contractual hours as indicated in the employment contract*

- c.2. Calculation based on dividing the latest documented annual gross employment costs by 1,720 hours*



c.1. Calculation based on the contractual hours as indicated in the employment contract

Supporting documents for the verification of expenditure (First Level Control)

1. Employment Contract or any other equivalent legal agreement with partner organisation;
2. Document identifying the monthly or weekly working time and the number of holidays per employee, such as employment contract or other internal document of equivalent value;
3. Payslips;
4. Proof of Payment;
5. Document showing the calculation of the hourly rate and;
6. Timesheets or equivalent time recording system.

c.1. Calculation based on the contractual hours as indicated in the employment contract

Example

| 1. Starting Point | | |
|-------------------------------|---|-----------|
| A | Total monthly salary costs (gross salary and employer's social contributions) | €5000 |
| 2. Calculation of Hourly Rate | | |
| B | Number of working hours per working day according to the employment contract (weekly working hours divided by 5 working days) | 8 hours |
| C | July 2014: Number of workable days (any public/bank holidays are to be subtracted) | 22 days |
| D | Number of workable hours in July 2014 (B * C) | 176 hours |
| E | Number of annual holidays (days) as per the employment contract | 30 days |
| F | Number of monthly holidays (days) as per the employment contract (E/12 months) | 2.5 days |
| G | Number of monthly holidays (hours) as per the employment contract (B * F) | 20 hours |
| H | Monthly working time, excluding holidays (D – G) | 156 hours |

c.1. Calculation based on the contractual hours as indicated in the employment contract

Example

| | | |
|---|--|--------|
| 3. Hourly Rate | | |
| I | Hourly Rate for July 2014 (A / H) | €32.05 |
| 4. Number of Hours Worked (based on timesheet) | | |
| J | Total number of hours worked on the project during the month of July | 100 |
| 5. Eligible cost for the hours worked on the project | | |
| K | Eligible Cost (I * J) | €3,205 |



c.2. Calculation based on dividing the latest documented annual gross employment costs by 1,720 hours

Supporting documents for the verification of expenditure (First Level Control)

- 1. Employment Contract or any other equivalent legal agreement with partner organisation;*
- 2. Payslips (over the past 12 months reference period);*
- 3. Proof of Payment;*
- 4. Document showing the calculation of the hourly rate and;*
- 5. Timesheets or equivalent time recording system.*

c.2. Calculation based on dividing the latest documented annual gross employment costs by 1,720 hours

Example

| | | |
|---|--|------------|
| 1. Starting Point | | |
| A | Total annual* salary costs (gross salary and employer's social contributions) | €50,000 |
| 2. Calculation of Hourly Rate | | |
| B | Number of working hours according to the Regulation (EU) No 1303/2013, Article 68(2)** | 1720 hours |
| 3. Hourly Rate | | |
| C | Hourly Rate for July 2014 (A / B) | €29.07 |
| 4. Number of Hours Worked (based on timesheet) | | |
| D | Total number of hours worked on the project during the month of July | 100 |
| 5. Eligible Cost for the Worked Hours on the Project | | |
| E | Eligible cost (C * D) | €2,907 |

* Annual salary costs = costs incurred over the 12 months preceding the last month of the reporting period.

** No further amendments should be made to the number of hours (holidays etc. are already considered).



EU funds
for Malta | 2014
2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

d. Person employed by the partner organisation on an hourly basis.

Supporting documents for the verification of expenditure (First Level Control)

- 1. Employment Contract or any other equivalent legal agreement with partner organisation;*
- 2. Payslips;*
- 3. Proof of Payment and;*
- 4. Timesheets or equivalent time recording system.*

d. Person employed by the partner organisation on an hourly basis.

Example

| | | |
|---|--|--------|
| 1. Starting Point | | |
| A | Hourly rate (as indicated in the employment contract) | €30 |
| 4. Number of Hours Worked (based on timesheet) | | |
| B | Total number of hours worked on the project during the month of July | 100 |
| 3. Eligible Costs for the Hours Worked on the Project | | |
| C | Eligible cost (A * B) | €3,000 |



EU funds
for Malta | 2014
2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

Staff (cont.)

- 6. Within the same partner organisation, the four above-mentioned calculation methods may co-exist if several people with different working contracts and time involvement in the project are working on the same project.*

Office and Administrative Expenditure

This budget line covers the general administrative expenses of the partner organisation that are necessary for the delivery of project activities.

When it comes to reporting office and administrative expenditure, the flat rate of 15% is automatically applies to ACTUALLY ELIGIBLE reported staff costs.

The FLC check has to focus on the correct reporting of staff costs and that no expenditure related to the office and administrative budget line is included in any other budget line.

NO JUSTIFICATION OR SUPPORTING DOCUMENTATION IS NEEDED



Travel and Accommodation

1. *This budget line concerns travel and accommodation costs of staff employed by a project partner officially listed in the application form.*

2. *Pursuant to Regulation (EU) No. 481/2014 Article 5, expenditure on travel and accommodation costs is limited to the following items:*
 - a. *Travel (e.g. tickets, travel and car insurance, etc)*
 - b. *Meals*
 - c. *Accommodation*
 - d. *Visa*
 - e. *Daily allowances*

Any item listed in points (a) to (d) covered by a daily allowance will not be reimbursed in addition to the daily allowance.



Travel and Accommodation (cont.)

3. General principles to be respected:

- a. Costs to be borne by the partner organisation. Direct payments issued by an employee must be supported by a proof of reimbursement from the employer.*
- b. Real costs and daily allowances must be in line with the specific national and institutional rules applicable to the partner organisation. In the absence of national or internal rules on daily allowances, real costs apply.*
- c. Usually, travel and accommodation costs should relate to trips undertaken within the programme area. However, trips to places outside the programme area are eligible if they explicitly mentioned and justified in the application form. Should there be trips outside the programme area that are not detailed in the application form, a specific request needs to be submitted in advance by the lead partner to the joint secretariat for validation.*



Travel and Accommodation (cont.)

4. *Supporting documentation for the verification of expenditure (First Level Control)*
 - a. *Agenda (or similar) of the meeting/ seminar/ conference.*
 - b. *Documents proving that the journey actually took place (boarding passes or participant lists etc.)*
 - c. *Paid invoices (including hotel bills, transport tickets, etc.) and if possible, the employee's expense report with a proof of reimbursement by the employer to the employee.*
 - d. *Daily allowance claims (if applicable), including proof of reimbursement by the employer to the employee.*



EU funds
for Malta

2014
2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

Travel and Accommodation (cont.)

- 5. Travel and accommodation expenses related to individuals other than staff directly employed by the beneficiaries of the project (members of the stakeholder groups but also consultants, experts) have to be included in the 'external expertise and service' budget line.*



EU funds
for Malta | 2014
2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

External Expertise and Services

1. *Costs include expenditure paid :*
 - a. *On the basis of contracts or written agreements*
 - b. *Against invoices or requests for reimbursement to external service providers who are subcontracted to carry out certain tasks/ activities linked to the delivery of the project (e.g. studies and surveys, translation, newsletter development, coordination, financial management, first level control).*



External Expertise and Services

2. *According to Regulation (EU) No 481/2014 Article 6, expenditure on external expertise and services are limited to the following services and expertise provided by an organisation other than the project partner:*
- a. *Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)*
 - b. *Training*
 - c. *Translations*
 - d. *IT systems and website development, modifications and updates*
 - e. *Promotion, communication, publicity or information linked to a project or to a cooperation programme as such*
 - f. *Financial management*
 - g. *Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation)*
 - h. *Participation in events (e.g. registration fees)*
 - i. *Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services*
 - j. *Intellectual property rights*
 - k. *Verifications under Article 125(4)(a) of Regulation (EU) No 1303/2013 and Article 23(4) of Regulation (EU) No 1299/2013 (i.e. first level control costs)*
 - l. *Certification and audit costs at programme level under Articles 126 and 127 of Regulation (EU) No 1303/2013*



External Expertise and Services (cont.)

2. According to Regulation (EU) No 481/2014 Article 6, expenditure on external expertise and services are limited to the following services and expertise provided by an organisation other than the project partner:
- m. *The provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee*
 - n. *Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers.*
 - o. *Other specific expertise and services needed for operations.*
 - p. *Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers.*
 - q. *Other specific expertise and services needed for operations.*



External Expertise and Services (cont.)

3. Key Principles

- a. *Costs of external expertise and services are connected to the implementation of certain project tasks that cannot be carried out by the project partners themselves (mainly due to the lack of internal resources) and therefore are outsourced to external service providers.*
- b. *The work of external service providers is necessary for the project and should be linked to activities planned in the application form.*
- c. *All applicable EU, national and internal public procurement rules must be respected. Even below EU thresholds, contracts with external providers must comply with the principles of transparency, non-discrimination, equal treatment and effective competition.*



External Expertise and Services (cont.)

4. *Supporting documents for the verification of expenditure (First Level Control)*
 - a. *Evidence of the selection process, in compliance with the applicable EU, national and internal public procurement rules. Any changes to the contract must comply with the public procurement rules and must be documented.*
 - b. *A contract or other written agreements of equivalent probative value laying down the services to be provided with a clear link to the project.*
 - c. *An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules.*
 - d. *Proof of payment.*
 - e. *Outputs of the work of external experts or service deliverables.*



EU funds
for Malta | 2014
2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

External Expertise and Services (cont.)

5. Points of attention

- a. Travel and accommodation costs for members of the stakeholder groups have to be budgeted and reported under external expertise costs.*
- b. Project partners cannot contract one another within the same project. This is because the roles of project partner and service provider are different and incompatible*



External Expertise and Services (cont.)

5. Points of attention

- d. Advance payments may only be accepted if they are supported by an invoice or another document of probative value. The corresponding activity must have taken place (and have been verified by the first level controller) by the end of the project at the latest.*
- e. The costs of services contracted by project partners for arranging the travel and accommodation of their own staff members (e.g. travel agencies, etc.) must be claimed under the budget line “travel and accommodation”.*
- f. Costs for external expertise and services should not exceed 50% of the total project budget;*



Equipment

1. *Expenditure for the financing of equipment purchased, rented or leased by a partner, necessary to achieve the objectives of the project. This includes costs of equipment already owned by the partner organisation and used to carry out project activities.*

2. *Pursuant to Regulation (EU) No 481/2014 Article 7, equipment expenditure is limited to the following items:*
 - a. *Office equipment*
 - b. *IT hardware and software*
 - c. *Furniture and fittings*
 - d. *Laboratory equipment*
 - e. *Machines and instruments*
 - f. *Tools or devices*
 - g. *Vehicles*
 - h. *Other specific equipment needed for operations.*



Equipment (cont.)

- 3. Costs of equipment are eligible only if they are detailed in the latest approved version of the application form.*
- 4. Considering the nature of Interreg Europe project activities, the focus of this budget line is on office equipment for project management purposes. Usually, not more than €5000 – €7000 per project is budgeted/spent.*
- 5. Normally, only planned equipment costs are eligible for funding. Unplanned equipment costs can only be eligible for funding in exceptional cases and needs to be agreed with the joint secretariat.*
- 6. Equipment items can only be funded by the programme if no other EU funds have contributed towards the financing of the planned equipment. Equipment has to be purchased in compliance with public procurement rules.*
- 7. When reporting expenditure for equipment, the following principle applies: If the equipment is used solely for the purpose of the project and was incurred and paid within the eligible period, the full purchase cost of the equipment should be reported.*



Equipment (cont.)

8. Certain limitations and/ or specific rules which also need to be considered when purchasing and reporting equipment:
 - a. *If the equipment has been purchased before the project's approval, a pro rata depreciation will be applied. Only the value of the depreciation incurred during the project's timeframe is eligible.*
 - b. *If the equipment has been purchased during the project's lifetime but the depreciation plan is longer than the project duration, a pro rata depreciation will be applied. Only the value of the depreciation incurred during the project timeframe is eligible.*
 - c. *If the equipment is rented or leased, depreciation does not apply, i.e. the full cost is reported where the equipment is used 100% for the project.*
 - d. *If the equipment purchased represents an important part of the project's result, the full cost of the item can be reported; even if the item was purchased towards the end of the project duration.*



Equipment (cont.)

9. *Supporting documents for the verification of expenditure (First Level Control)*
 - a. *Evidence of compliance with the applicable EU, national and internal procurement rules.*
 - b. *Invoice (or a supporting document with equivalent probative value to invoices, in case of depreciation) providing all relevant information in line with the applicable accountancy rules.*
 - c. *Calculation of depreciation in compliance with the applicable national schemes.*
 - d. *Proof of Payment.*

Equipment (cont.)

10. Points of Attention

- a. *Rented equipment: any equipment necessary for the content-related implementation of the project needs to be budgeted and reported in this budget line. Renting costs for equipment do not fall under the budget line “external expertise and services costs”.*
- b. *Second-hand equipment: costs of second-hand equipment may be eligible under the following conditions:*
 - i. *No other assistance has been received for it from the European Structural and Investment Funds.*
 - ii. *Its price does not exceed the generally accepted price on the market for that equipment.*
 - iii. *It has technical characteristics necessary for the project and complies with applicable norms and standards.*



EU funds
for Malta | 2014
2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

Preparation Costs

- 1. In convergence to Article 67(1) (c) of Regulation (EU) No 1303/2013, preparation costs are fixed in the form of a lump sum of €15,000 (or in ERDF/ Norwegian funding: €12,750 (85%) and €7,500 (50%)) for approved projects.*
- 2. This amount will be automatically included in the lead partner's budget at application stage.*
- 3. Project partners do not need to provide any justification or supporting documents and it is allocated to the Lead Partner's budget.*



Other Ineligible Costs

1. VAT

- a. In accordance with Regulation (EU) No 1303/2013 Article 69 (3), VAT is not eligible except in case where VAT is non-recoverable under national VAT legislation.*
- b. In practice, if a partner can recover VAT (regardless whether the individual actually does or not), all expenditure reported to the programme has to be reported without VAT.*

2. Gifts

- a. Pursuant to Regulation (EU) No 481/2014 Article 2, gifts are not eligible, except those not exceeding €50 per gift which relate to promotion, communication, publicity or information.*
- b. The production of such promotion, communication, publicity or information material requires the approval of the joint secretariat beforehand.*

3. Contribution in Kind

- a. Contribution in kind i.e. provision of works, goods, services, land or real estate for which no cash payment has been made (e.g. unpaid voluntary work) are not eligible.*



EU funds
for Malta | 2014
2020



Interreg
Europe



PARLIAMENTARY SECRETARIAT
FOR THE EU PRESIDENCY 2017 AND EU FUNDS

Public Procurement

1. *Whenever purchases are made and contracts are awarded to external suppliers, project partners have to be in a position to demonstrate the good use of public funds.*
2. *The principles of transparency, non-discrimination and equal treatment have to be respected and conditions of effective competition must be ensured.*
3. *Three levels have to be taken into consideration:*
 - a. *The EU public procurement directives;*
 - b. *National rules* and;*
 - c. *Internal rules of the partner organisation.*
 - d. *As a matter of principle, the strictest rules must always be applied.*

**New regulations are now in force – LN 352 of 2016*



Preventing Fraud in Public Procurement

1. *For all public procurement above the lowest applicable threshold, partners should implement a robust internal control system, in line with the proportionality principle, to avoid in particular:*
 - a. *Irregular split purchases;*
 - b. *Unjustified direct awards;*
 - c. *Irregular extensions of contract;*
 - d. *Irregular amendments of existing contracts;*
 - e. *The leaking of bid data;*
 - f. *That bid specifications are too narrow;*
 - g. *That procurement procedures are not followed.*



Preventing Fraud in Public Procurement (cont.)

2. *On top of the minimum requirements defined by the applicable European and national public procurement law, the programme recommends project partners to ensure:*
 - a. *A high level of transparency in the award of contracts (e.g. publication of all contracts information that is not publicly sensitive);*
 - b. *That the tender process includes a transparent bid opening process and adequate security arrangements for unopened tenders (in order to avoid the manipulation of bid data).*

Thank you for your attention



INTERREG EUROPE Programme
*Sharing solutions for better regional policies
Programme part financed by the European Union
European Regional Development Fund (ERDF)*
Co-financing rate: 85%/75% EU Funds; 15%/25% National Funds
Investing in your future

