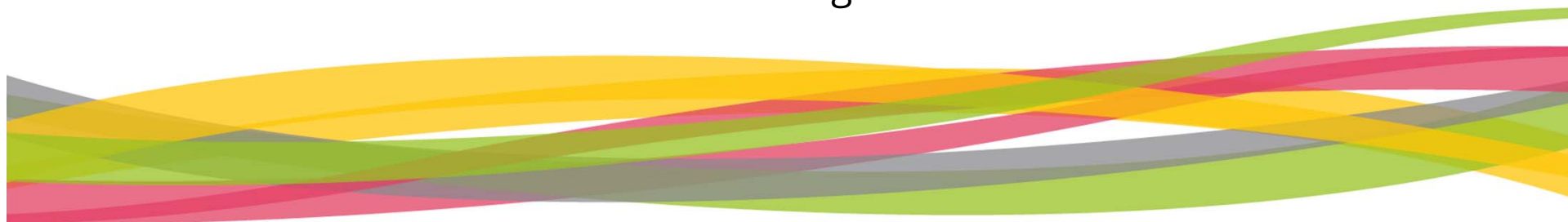


Financial reporting and First Level Control: Who does what? How to plan your time?

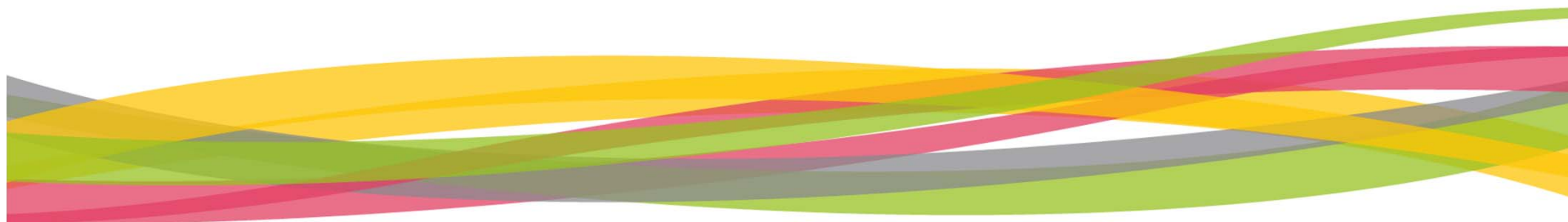
First Level Control seminar – Sweden
Malmö, 11 September 2019
Christoffer Stougaard Villsen





Agenda

- + Part 1 – Administrative setup
- + Part 2 – The Programme rules
- + Part 3 – Exercise



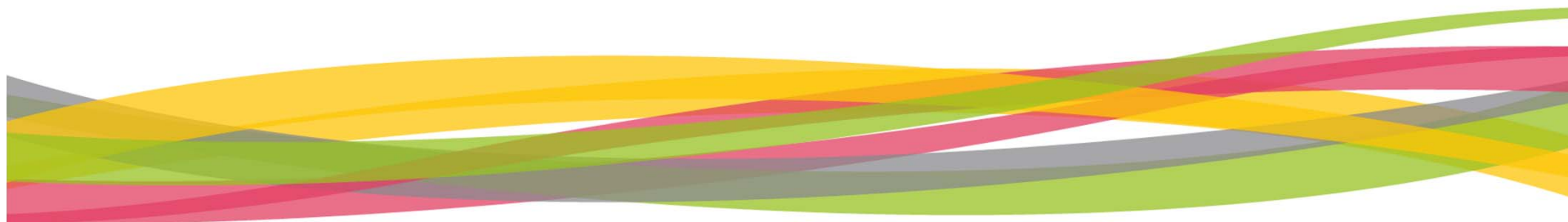
Who is who?

- + **Beneficiary**: an organisation that is part of the partnership in the project application
- + **Lead beneficiary (LB)**: the managing organisation of the partnership
- + **First Level Controller (FLC)**: an external (to the partnership) auditor that takes a critical view of all project expenditure and verifies that it is in line with all relevant regulations and guidelines
- + **Joint Secretariat (JS)**: organisation responsible for the day-to-day programme management



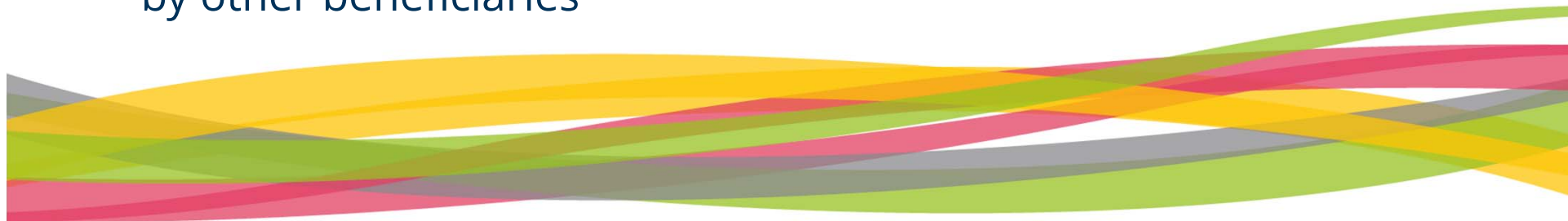
What are the report types?

- + **Basic progress report**: short summary of project's achievements over the last six months with facts and figures on progress towards work package targets. Statement of expenditure is **optional**.
- + **Full progress report**: the basic report plus some questions on the functioning of the partnership, how stakeholders have been involved, etc. **Must** include statement of expenditure.
- + **Final report**: focuses on overall achievements of partnership over whole project lifetime. **Must** include statement of expenditure.



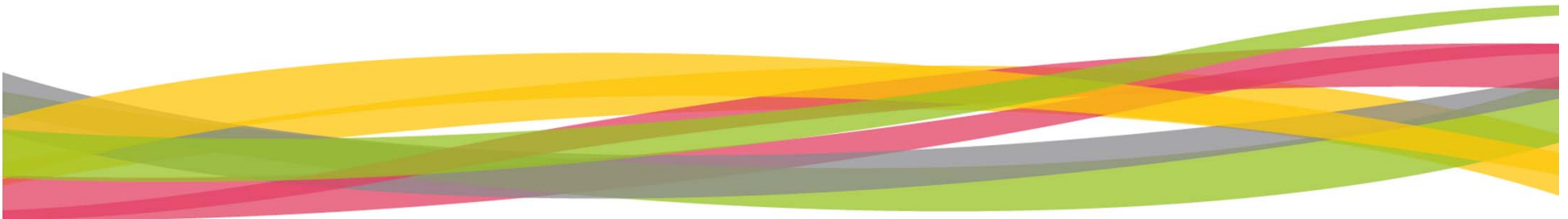
Division of labor (1/2)

- + **Beneficiaries** complete their individual activity reports and statements of expenditure
- + **First Level Controllers** for each beneficiary check beneficiaries' statements of expenditure, including the underlying accounting evidence, and submit them to LB
- + **Lead Beneficiary** compiles all progress reports and statements of expenditure and submits to JS for review
- + **Lead Beneficiary's FLC** does **not** re-control expenditure reported by other beneficiaries

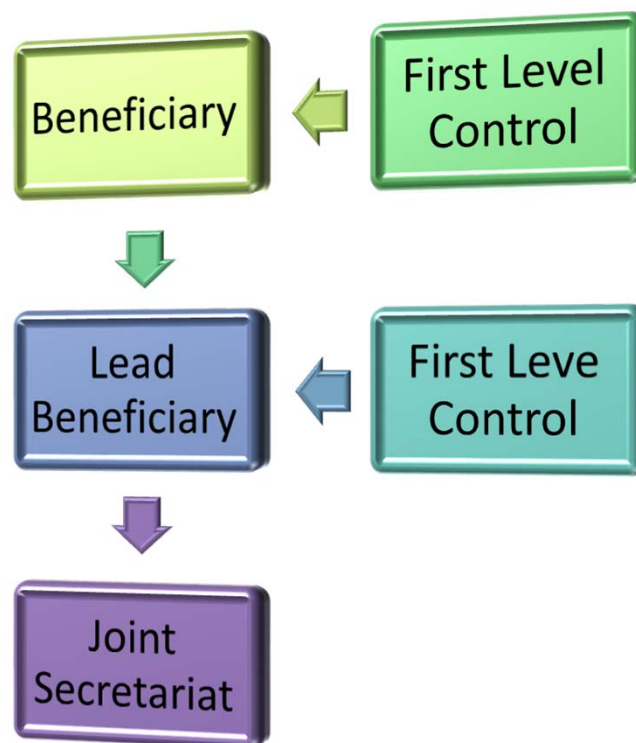


Division of labor (2/2)

- + **Joint Secretariat** processes report within 90 days and makes payment to LB
- + **Lead Beneficiary** transfers, without delay, the relevant share of ERDF to each beneficiary

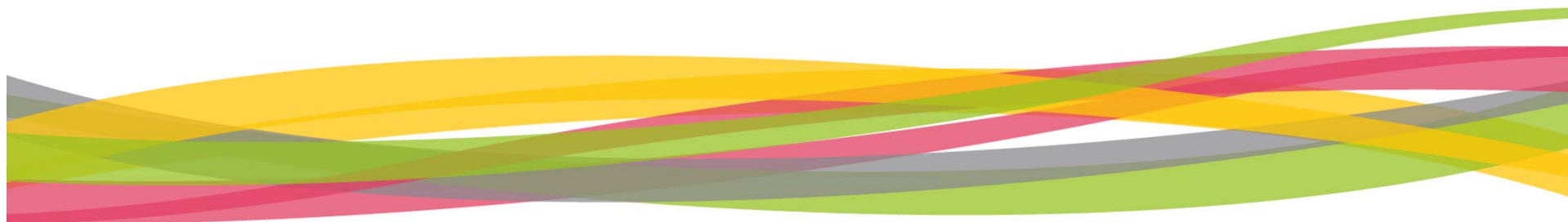


Lead beneficiary principle

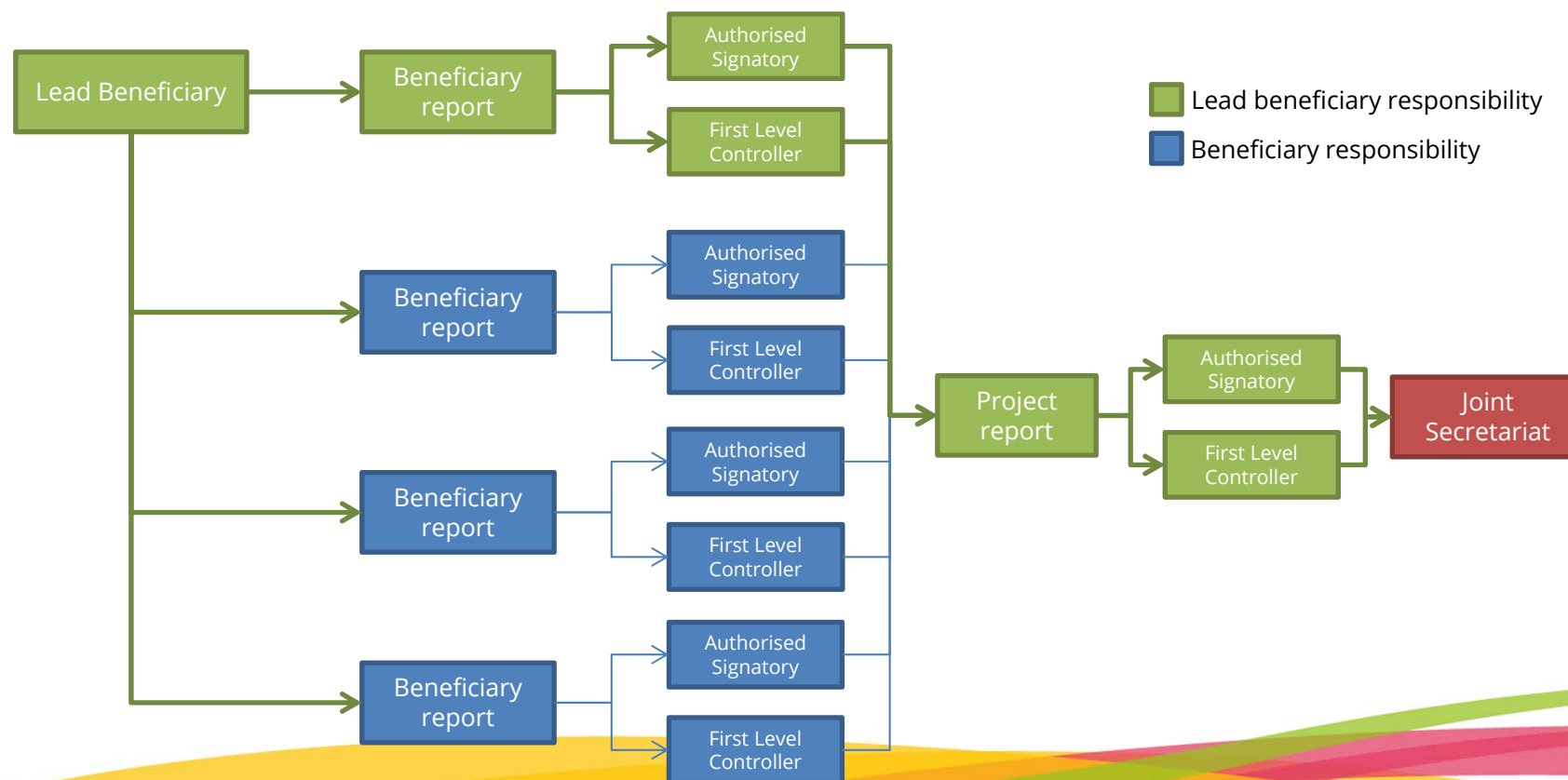


Reporting: The basics

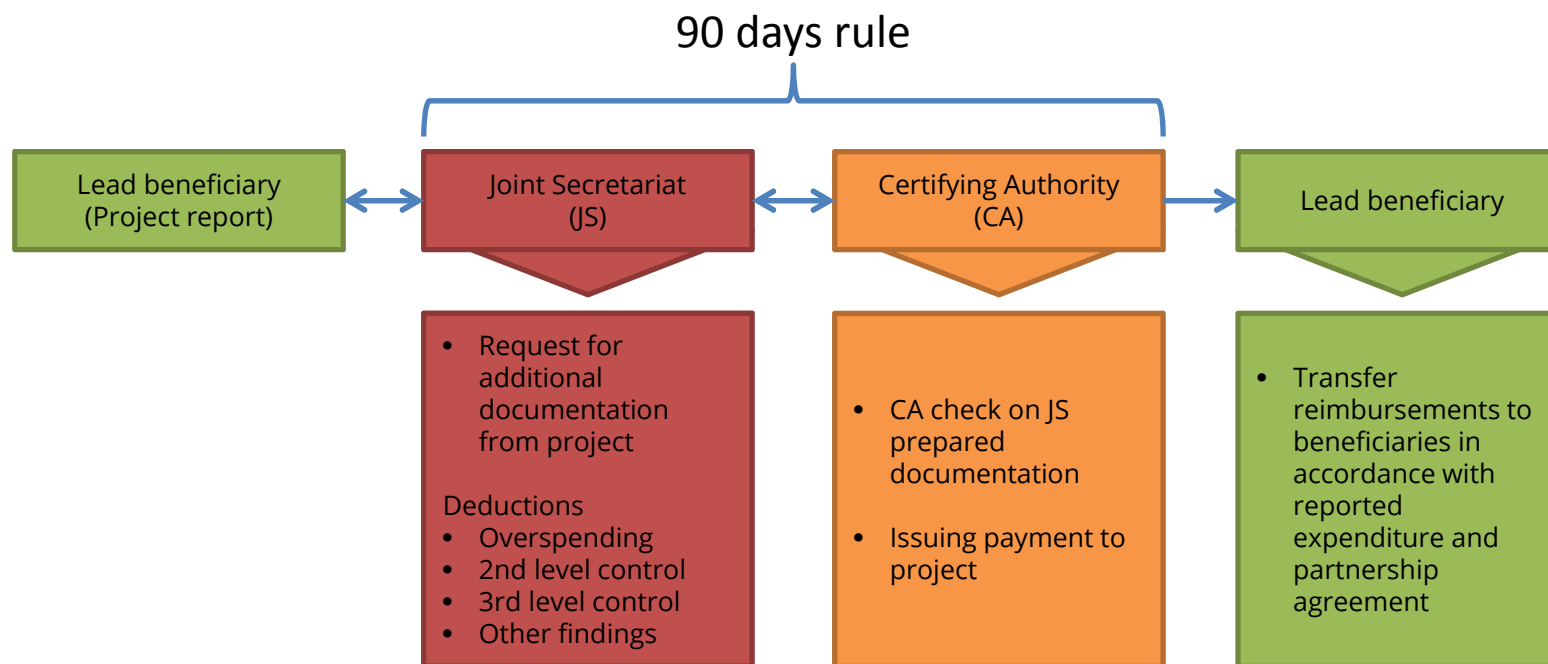
- + Twice a year (but full progress report with statement of expenditure mandatory **once** a year)
 - + The basic progress report
 - + The full progress report
- + Submission of report via the Online Monitoring System (OMS)
- + First Level Control (FLC report)
- + First report – Basic progress report by (LATEST) 12 months after contract is signed and deadline has been agreed with JS; thereafter, every 6 months



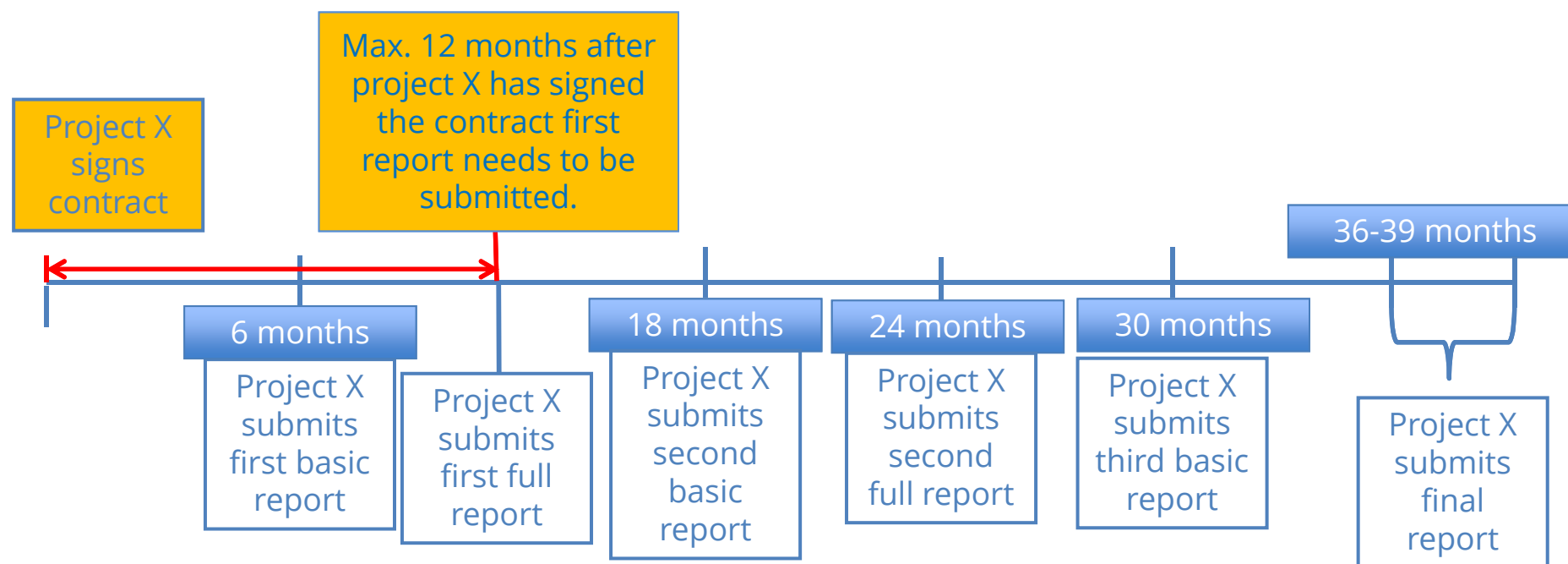
Reporting workflow (1/2)



Reporting workflow (2/2)

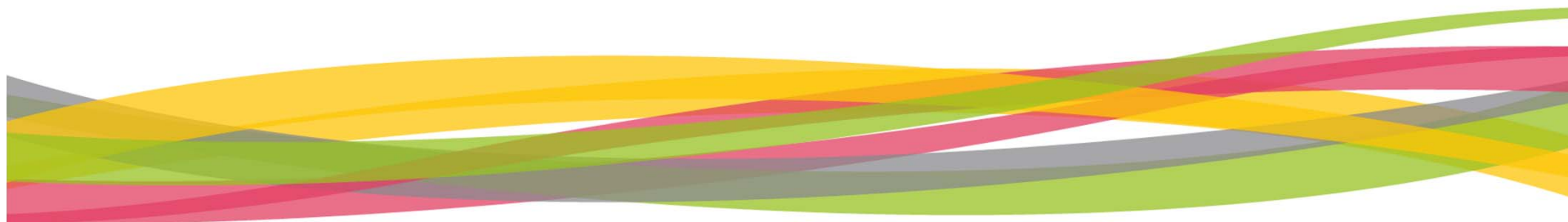


Example of reporting schedule – Project X



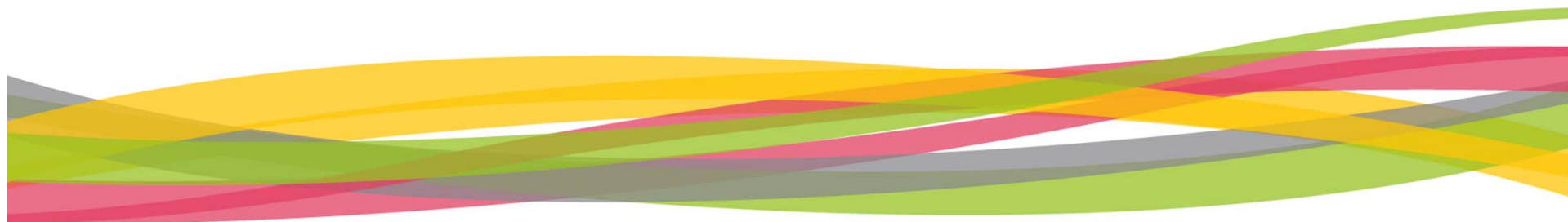


Questions?





Part 2 – Programme rules



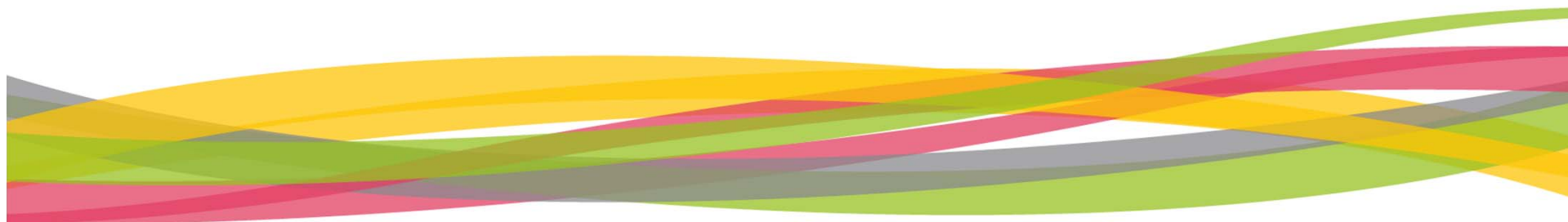
General rules on eligibility – Fact Sheet 1

We support:

- + Beneficiaries in application
- + Costs required for implementing the project
- + No EU double funding

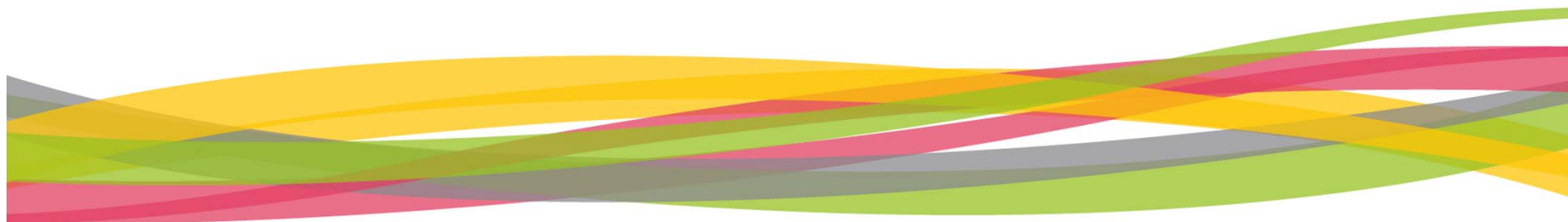
You can never get the following reimbursed:

- + Interest on debt, fines & penalties, VAT (refundable), and Exchange rate losses.



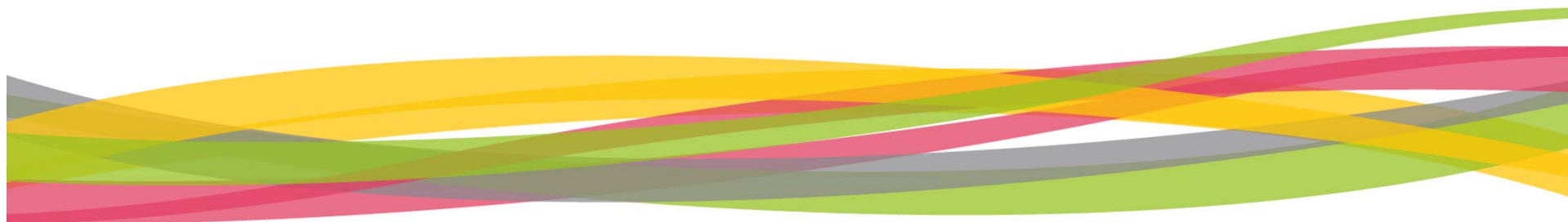
Staff costs – Fact Sheet 2

- + Staff full-time on the project.
- + Staff part-time with fixed percentage on the project
- + Staff part-time with variable hours on the project
- + Staff paid by the hour



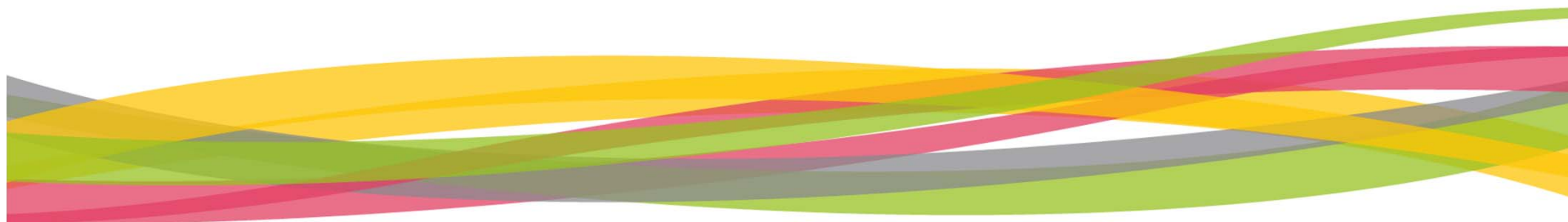
Office and Administration - Fact Sheet 3

- + Covering all indirect costs
- + 15% of verified staff costs
- + Calculated by the OMS



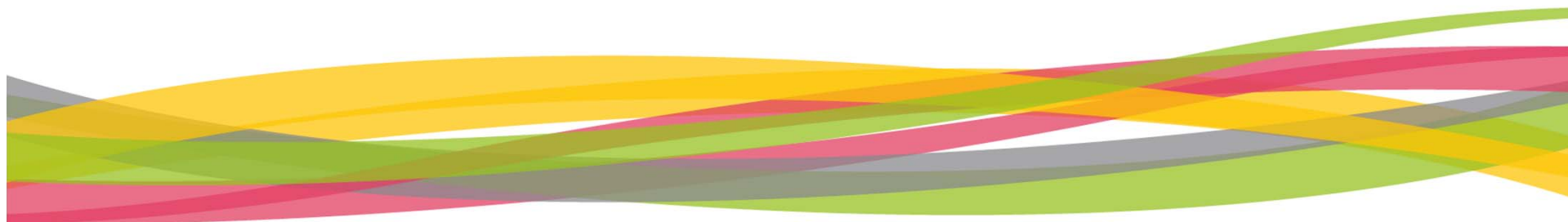
Travel and accommodation - Fact Sheet 4

- + Real cost
- + Value for money
- + Justification



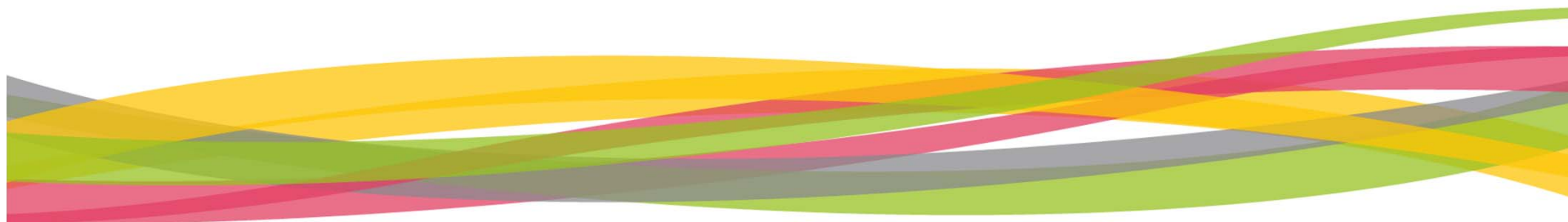
External expertise and services - Fact Sheet 5

- + Procurement – Programme rules on tendering
- + Justification



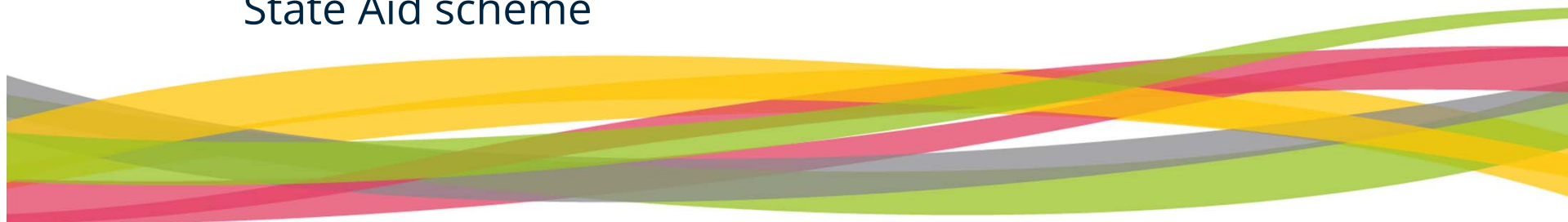
Equipment and Investments - Fact Sheet 6

- + Regular equipment vs. specialist equipment
- + Procurement
- + Investments must remain in place for at least 5 years from date of final payment to the project.



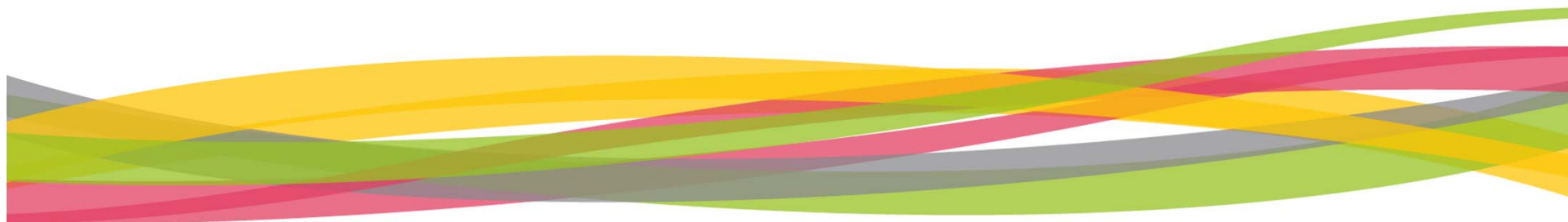
Deducting revenue from payment claims - Fact Sheet 9

- + Net revenues must be reported
- + All net revenues received within 3 years after project end must be reported
- + $\text{Eligible costs} - (\text{net}) \text{ revenues} = \text{Net eligible costs}$
- + Does not apply to those participating as part of State Aid scheme



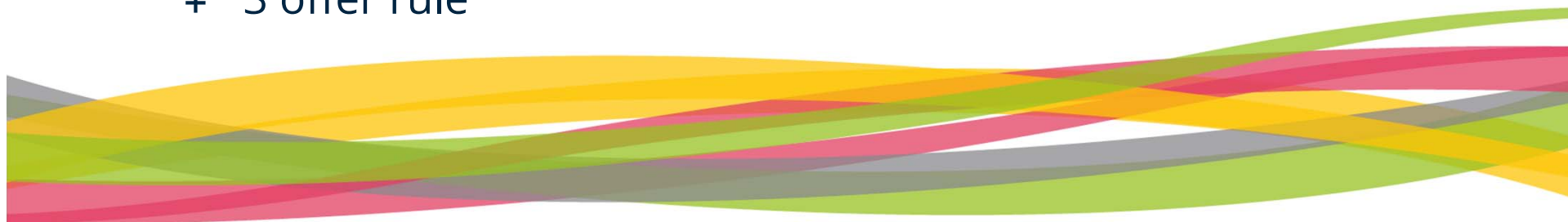
Exchange rates - Fact Sheet 10

- + Exchange rate of the month expenditure is submitted to FLC for verification
- + Link to official conversion rate in the fact sheet.

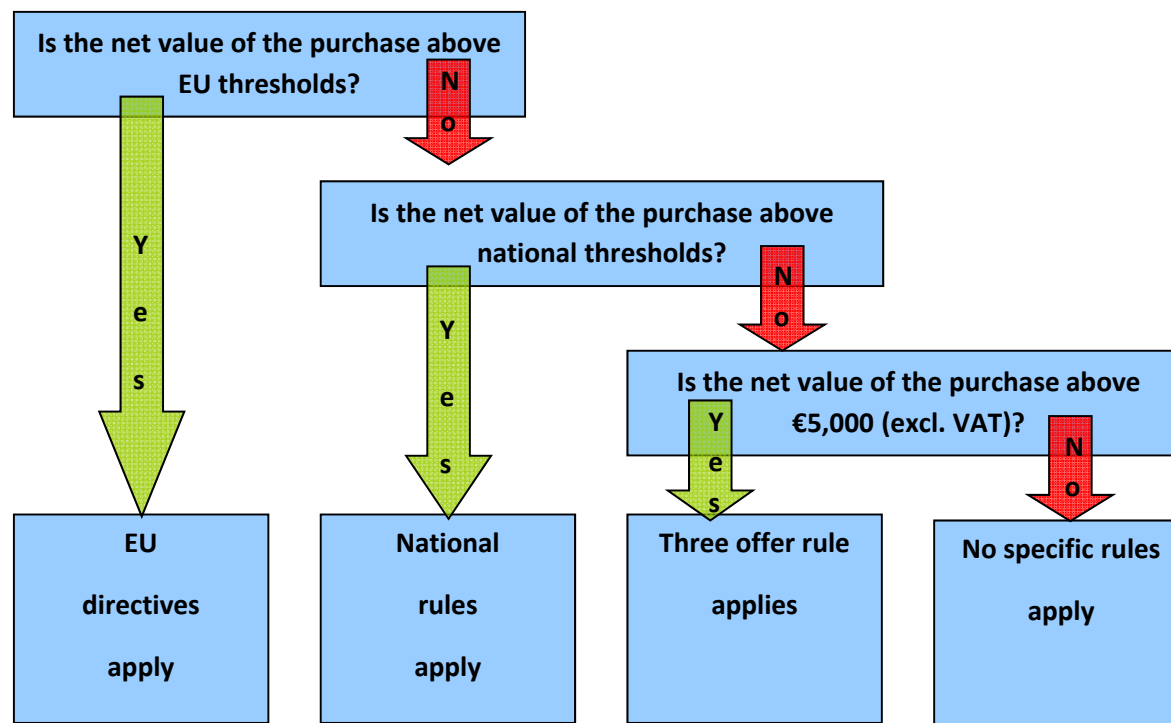


Tendering - Fact Sheet 11

- + All contracts for any amount over €5,000 are offered to a range of bidders and advertisement and selection procedures must be documented.
- + 4 rules to consider (over EU threshold; below EU threshold but over national/ organisational threshold; over € 5.000; below €5,000)
- + 3 offer rule



Tendering - Fact Sheet 11

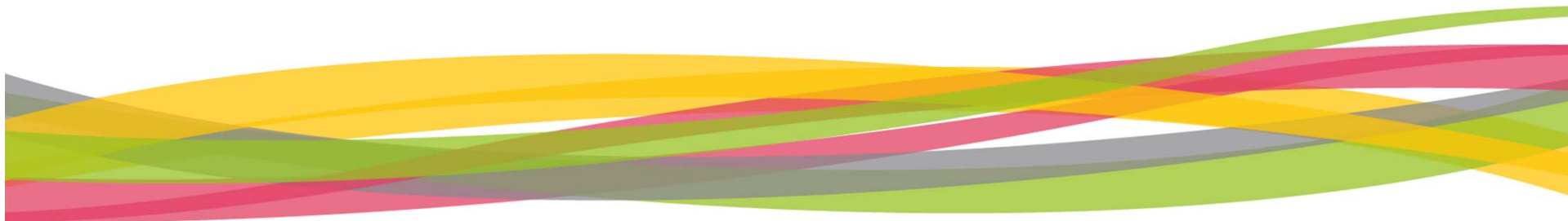


Main principles always apply: transparency, equal treatment and non-discrimination



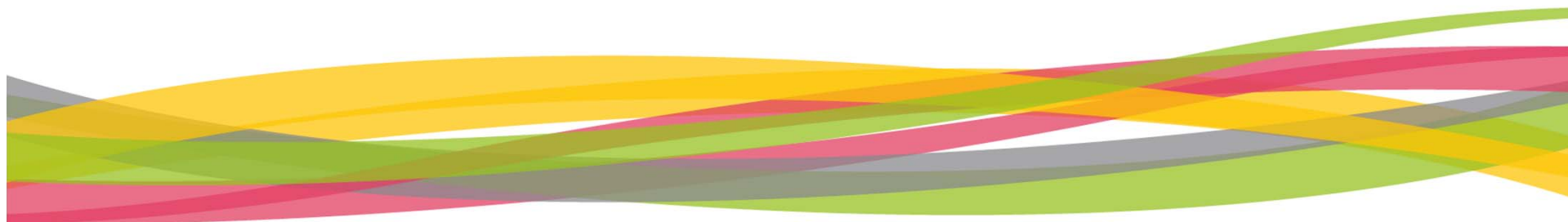
Exercise

+ Cases

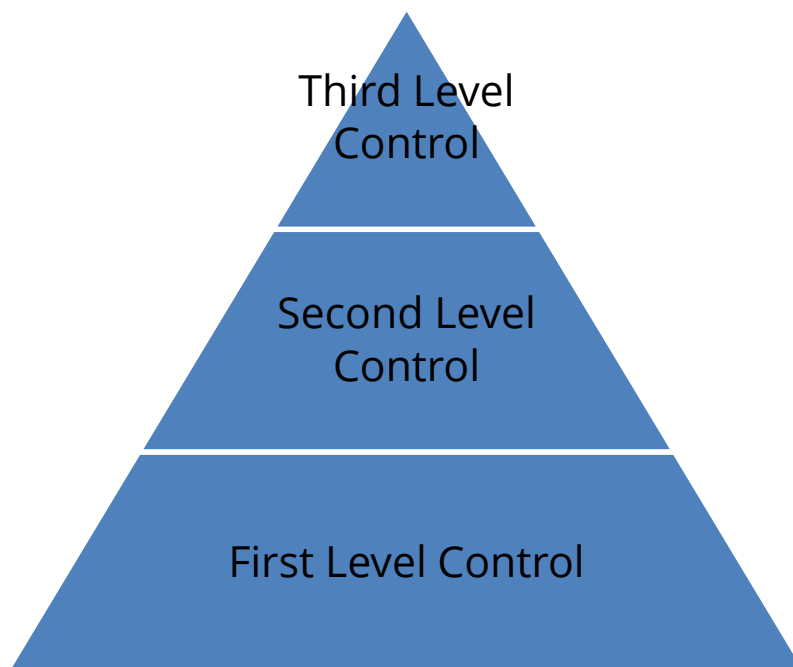




Second Level Control



Control structure



Three levels of control – Beneficiary, national and EU level.

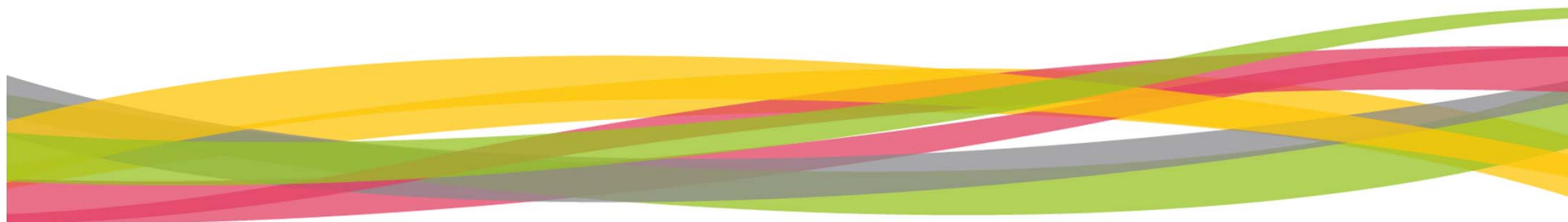
The most important is the first level at beneficiary level, as all error/mistakes found and sorted at this level does not trigger an error for the entire programme.



First Level Control

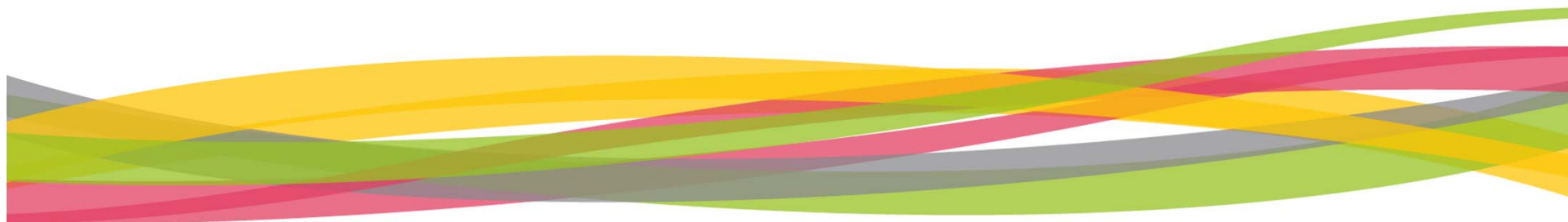
Financial reporting:

- + It is the responsibility of the beneficiary to only include expenditure which is relevant for the implementation only, and
- + It is the responsibility of the First Level Controller to verify that the included expenditure is both correct and eligible.



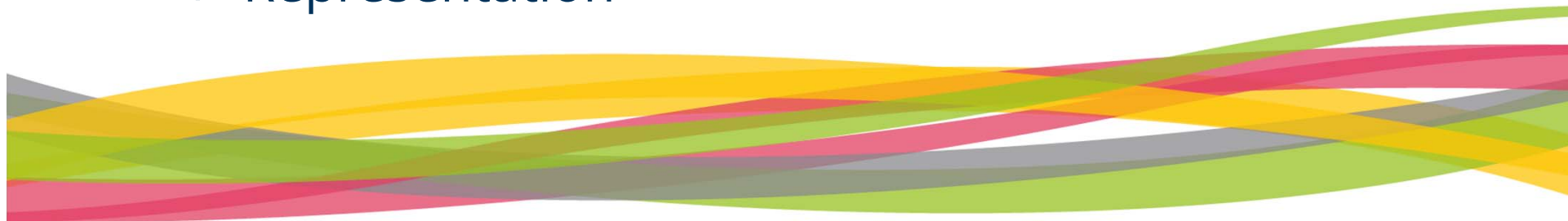
First Level Control responsibility

- + Correctness of the expenditures;
 - + based on national/organisational audit rules
- + Eligibility of the expenditure;
 - + based on activities presented in the approved application, and
 - + Fulfilment of the programme rules



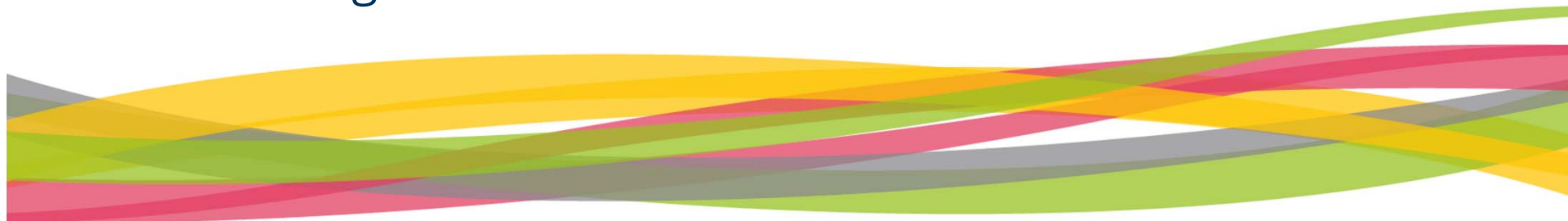
Second Level Control findings so far

- + Staff costs
- + Procurement
- + Exchange rate
- + Representation



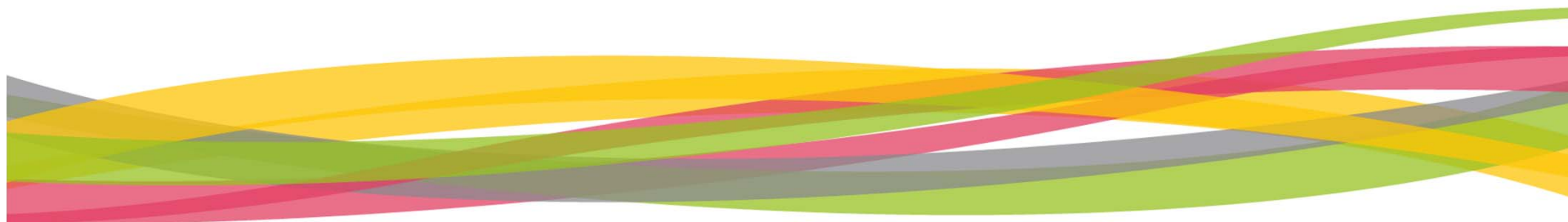
Staff costs

- + The prescribed method of calculation in Fact Sheet No 2 had not been used.
- + In one case the prescribed method had been seen as a proposal rather than something compulsory.
- + In another case the method used in a IVB project had been used assuming that the rules had not changed



Procurement

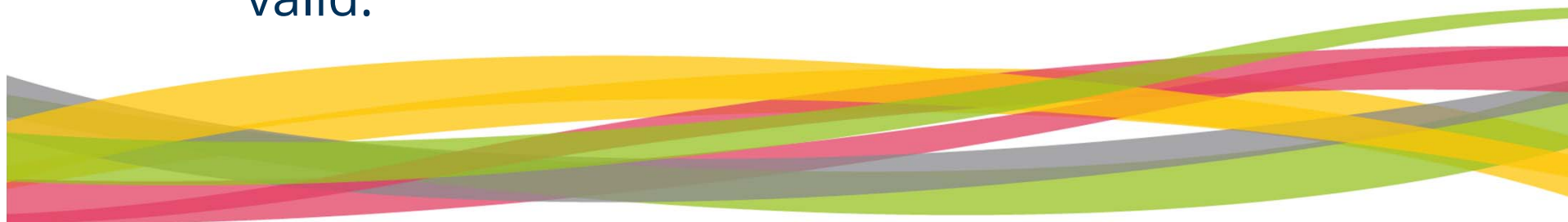
- + The programme rules were observed but not the internal rules of the organisation.
- + The tender process was not sufficiently documented – electronic evidence was relied on but the relevant web-page had been changed and the relevant documents gone.



Exchange rate

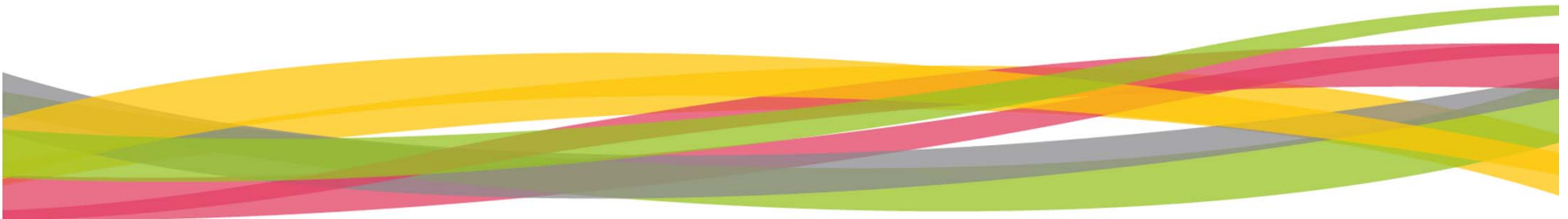
- + The exchange rate from national currency to Euro of the date of the cost had been incurred was used i.e. the cost which appear on the bank statement.

Only the official exchange rate of the day when the expenditure report is sent to the FLC is valid.



Representation

- + National rules had not been followed in terms of the eligibility on alcohol.



Input from Tillväxtverket

- + Low/few errors related to accounting, calculations, VAT, representation, etc.
- + None of the errors found so far is considered systemic

