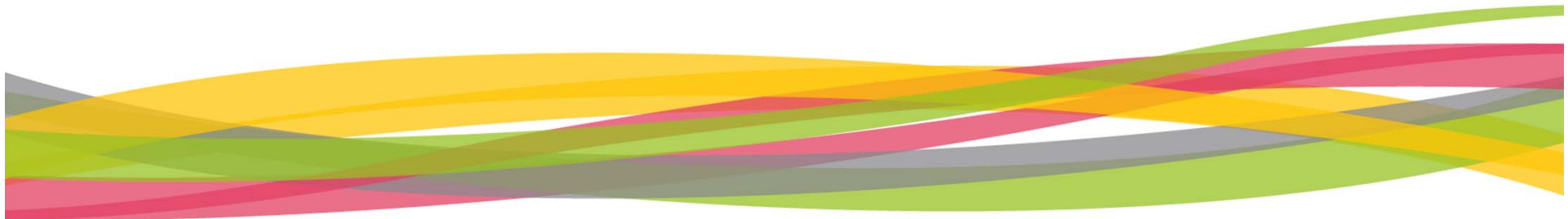




# Session on financial programme rules and Second Level Control

Day 1 – 6 February 2019  
Zwolle, The Netherlands

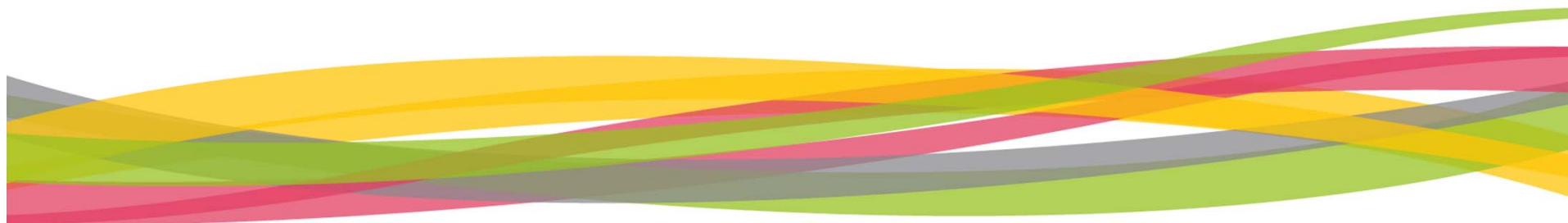
Annemieke Feikens, Christian Byrith & Christoffer Villsen





# Agenda

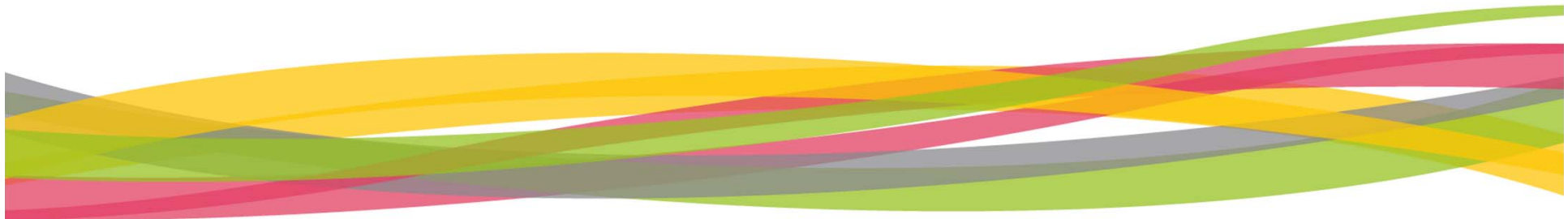
- + A few programme rules and linked FAQ's
- + The structure of the control setup and expectations
- + Second Level Control





## Aim of this session

The aim of this session is to highlight potential risk factors which we encounter on a daily basis and which could cause problems for the implementation of your project.





## Programme rules

- + Staff costs
- + Conversion rates
- + Procurement rules
- + Partnership agreement

incl.

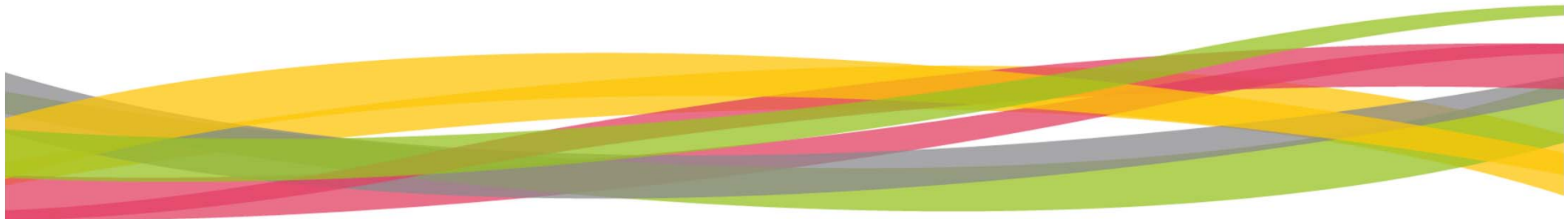
- + Annexes when reporting





## Staff costs

- + Remember the four ways of defining and calculating staff costs:
  1. Full time on the project
  2. Part time on the project with a fixed-percentage
  3. Part time on the project with variable hours
  4. Staff paid by the hour



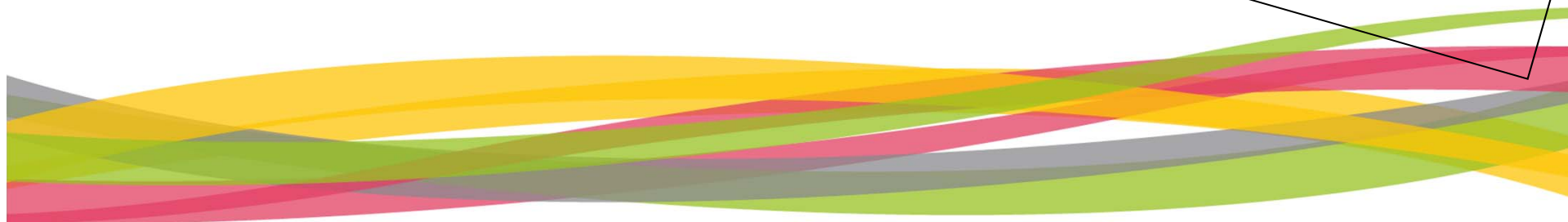


## Staff costs – Fixed percentage

Two options:

- + Full time (100%), or
- + Fixed percentage working on the projects

Calculation method:  
Staff cost =  
Gross employer cost  
X  
percentage working on  
the project





## Staff costs – part time with variable hours

Two ways of calculating the hourly rate;

- 1) Gross employer costs per month / Total number of working hours per month fixed in the employment contract.
- 2) Latest documented annual gross employer costs / 1720



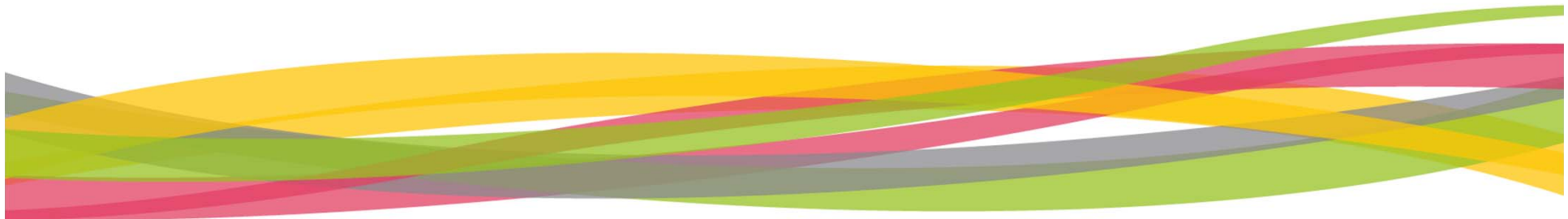
Remember time sheets for 100% of the working time



## Staff costs – Staff paid by the hours

+ Only one way of doing this:

- 1) Hours worked x Hourly rate set out in the employment document

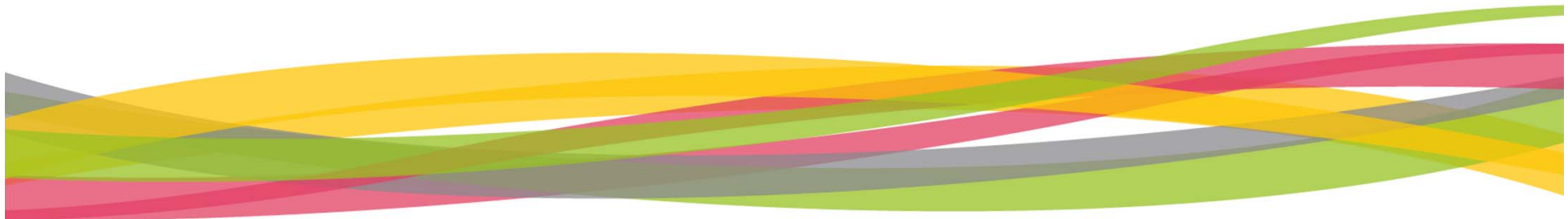






## Conversion rates

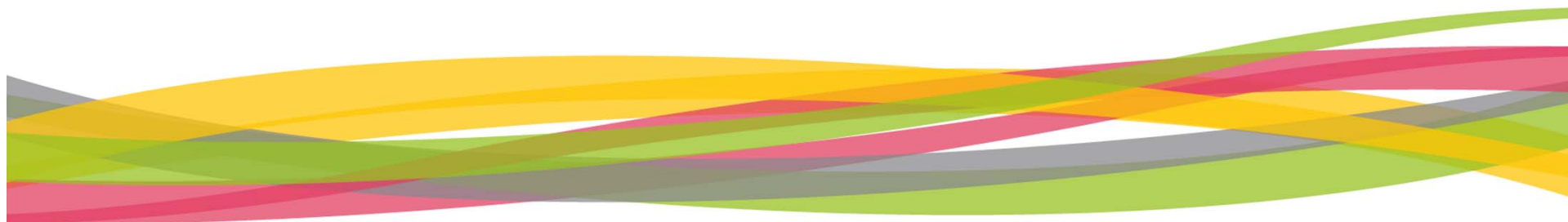
- + Remember that we have a simple approach for converting non-EUR amounts into EUR when reporting.
- + The average conversion rate of the month in which the expenditure was passed on to First Level Control.





## Conversion rates – document it

- + Remember to indicate the conversion rate and time of obtainment in the relevant list of expenditure when reporting.
- + The FLC verifies the correctness of the conversion rate applied.





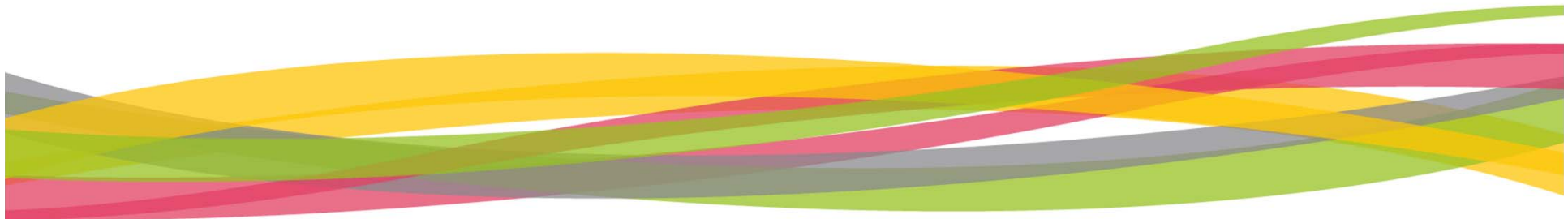
## Conversion rates – Should I convert?

The expenditures in pounds, and therefore the receipts is in pounds. However the expenditure is paid with bank card, and charged to beneficiary as a payment in EUR.

Two forms of evidence exist for the transactions in this case:

- a) the receipts, bills, etc (in pounds)
- b) the transaction log of the bank (in euros)

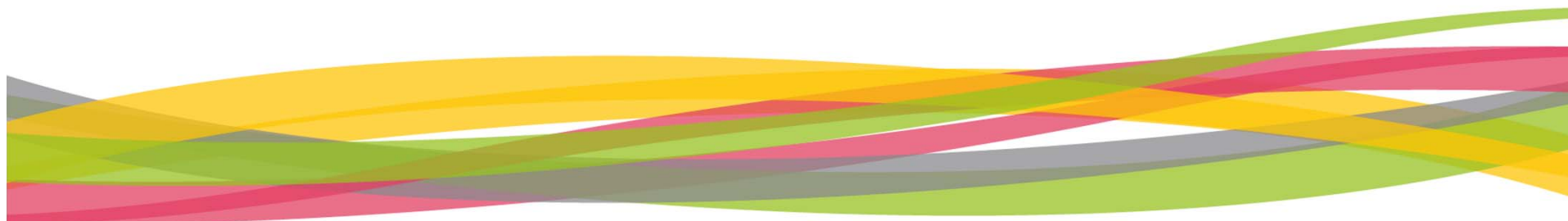
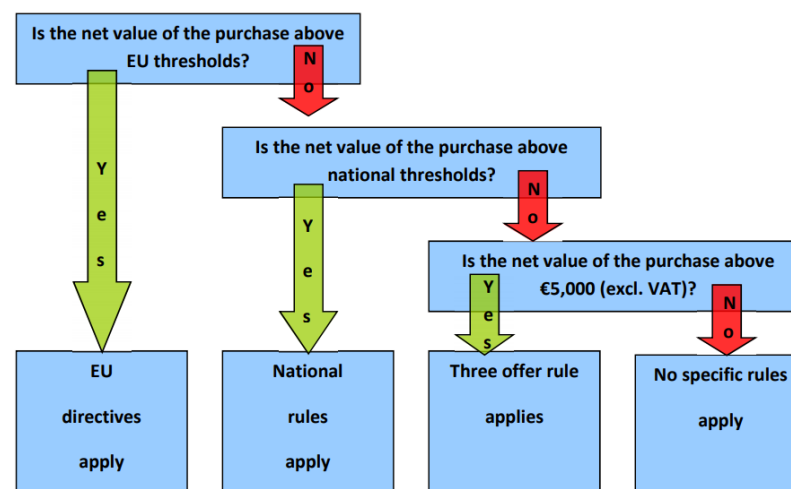
Question: is this a transaction in euros or in pounds? And does it have to be converted or not?





# Procurement

- + Remember the various thresholds for when which procurement rules have to be applied.
- + The smallest and easiest to forget is the EUR 5.000 (Excl. VAT) threshold



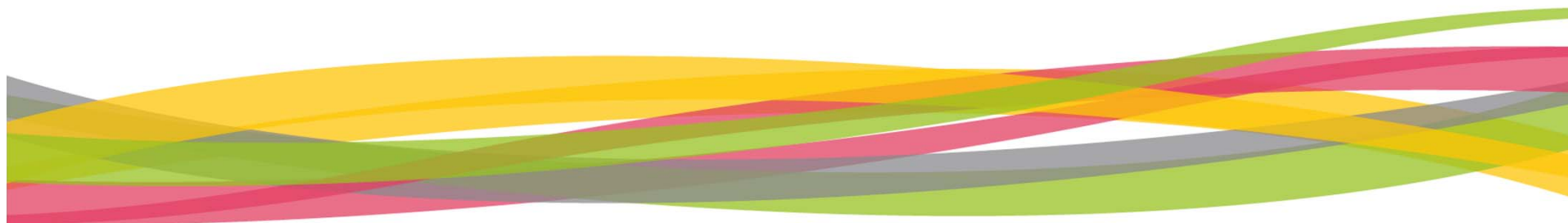


# Procurement example

Expenditure: First Level Control, Communication,  
Project management



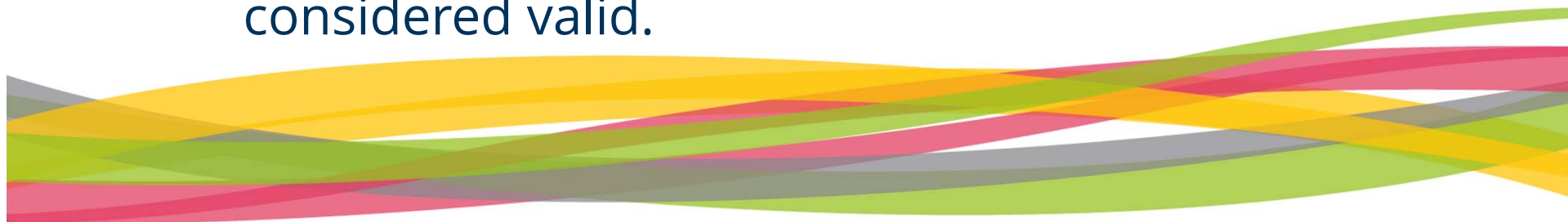
Even though they follow in sequence it  
should still be considered as one contract





## Partnership Agreement

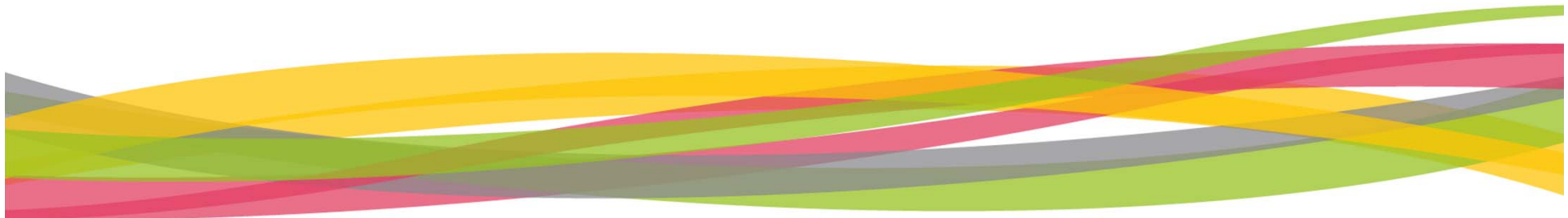
- + Revised partnership agreements should be submitted to the programme via message to designated project advisor or as an upload to the document center.
- + Partnership agreements in general are not approved by the Joint Secretariat but it has to be signed by all beneficiaries before it can be considered valid.





## Annexes when reporting

- + A list of expenditure per budget line applied
- + Only one file per budget line
- + No personal sensitive information
  - + Salary-slip
  - + Employment documents
  - + etc.
- + Total amount should be clearly visible
- + Exchange rate and time of obtainment



# Annexes when reporting - Example

## STAFF COSTS

<b>Project</b>	FDA! - Full Demo Application
<b>Programme</b>	North Sea Region Programme
<b>Beneficiary</b>	FDA6 Norway
<b>Reporting period</b>	01/01/2017 - 01/03/2017

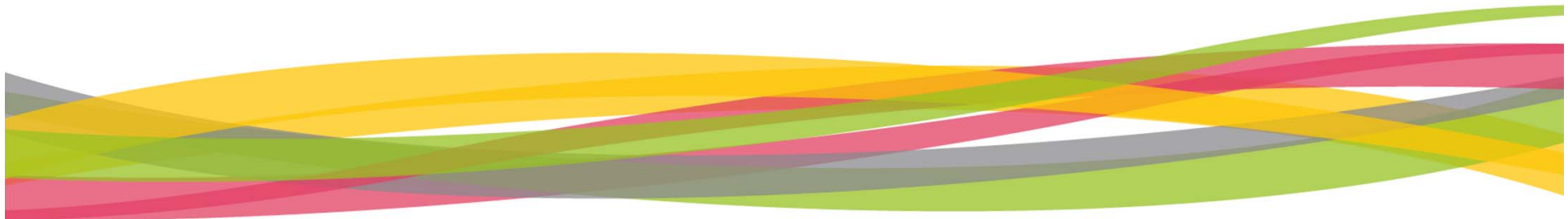
Name of employee	Title	Labour contract (date of start)	Fixed percentage of time allocated to project	Gross employer costs	Share of gross employer costs relevant for the project	Comments
Staff member 1	Administrator	01-01-2017	40%	€ 4.925,00	€ 1.970,00	
Staff member 2	Project worker	01-01-2017	55%	€ 14.600,00	€ 8.030,00	
<b>Total</b>					<b>€ 10.000,00</b>	





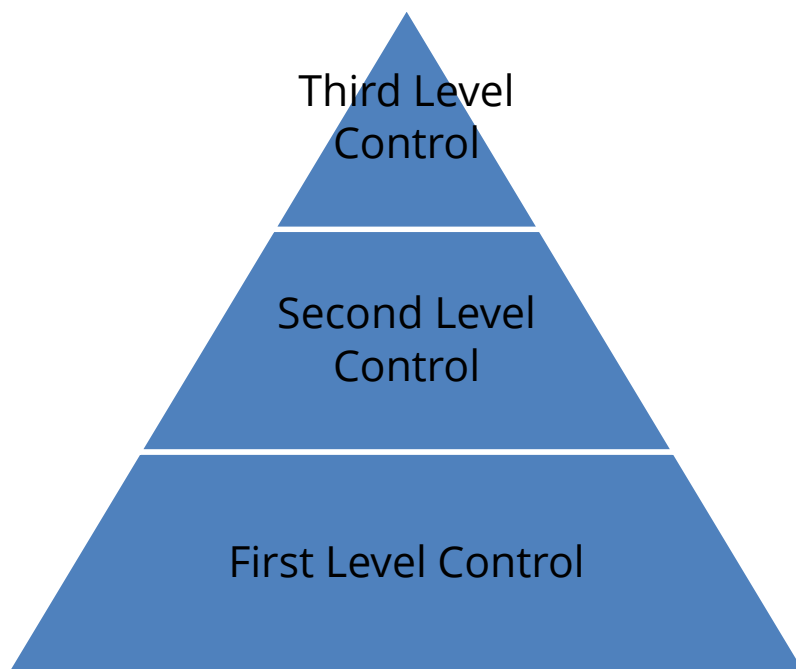
# The structure of the control setup and expectations

- + Control structure
- + The role of the first level controller
- + Point to remember





## 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.

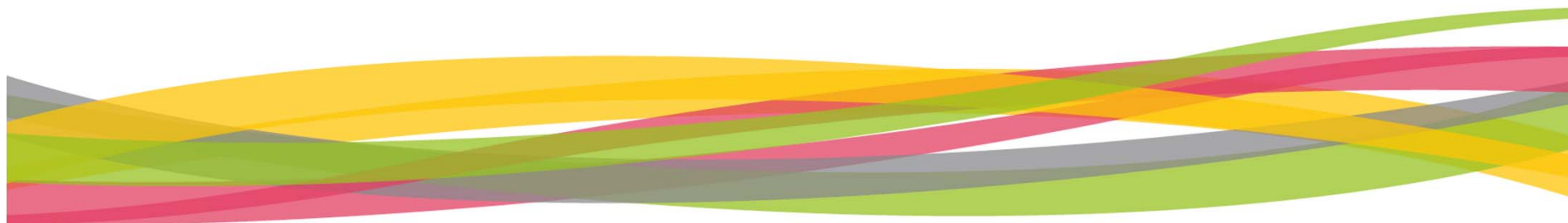




## First Level Control

Financial reporting:

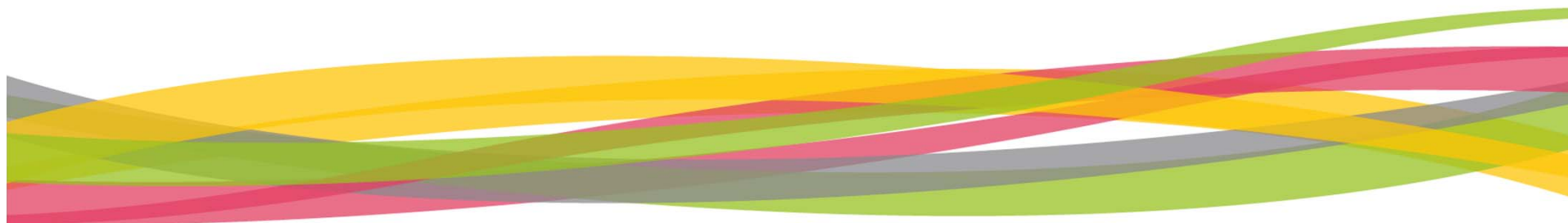
- + It is the responsibility of the beneficiary to only include expenditure which is relevant for the implementation, and
- + It is the responsibility of the First Level Controller to verify that the included expenditure is both correct and eligible.





## First Level Control responsibility

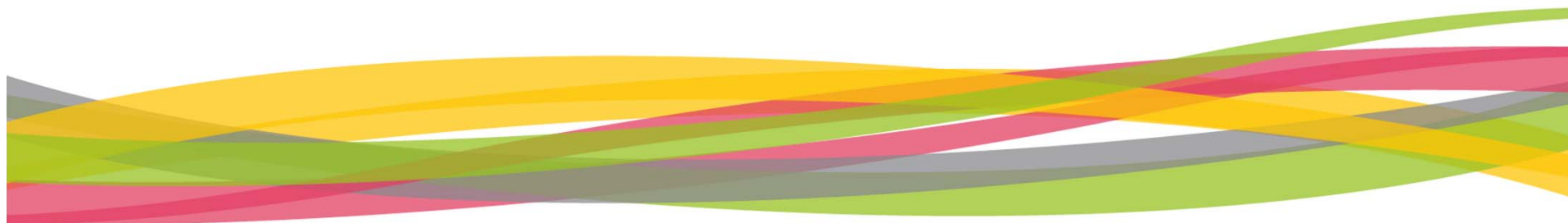
- + Correctness of the expenditures;
  - + based on national/organisational audit rules
- + Eligibility of the expenditure;
  - + based on activities presented in the approved application, and
  - + Fulfilment of the programme rules





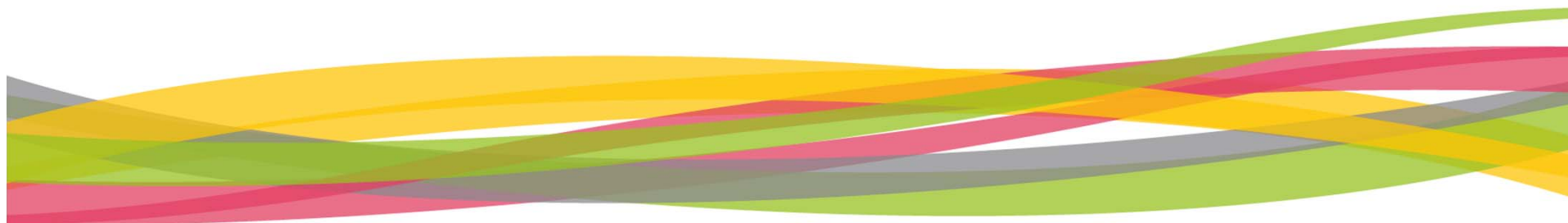
## First Level Control Report

- + Be very precise when filling in the First Level Control report as open-ended conclusions may give rise to questions at the Secretariat and delay the processing of the project report.





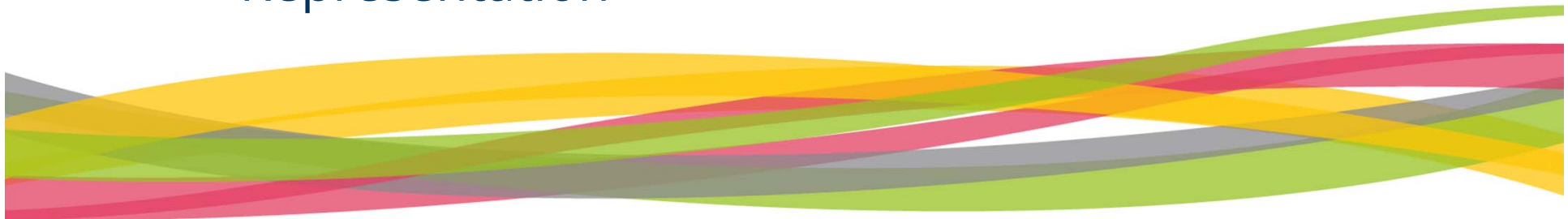
# Second Level Control





## 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.

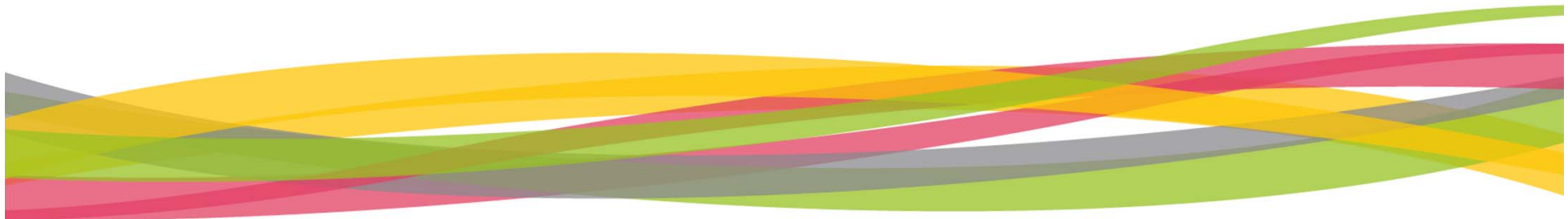
In another case the method used in a IVB project had been used assuming that the rules had not changed





# 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.

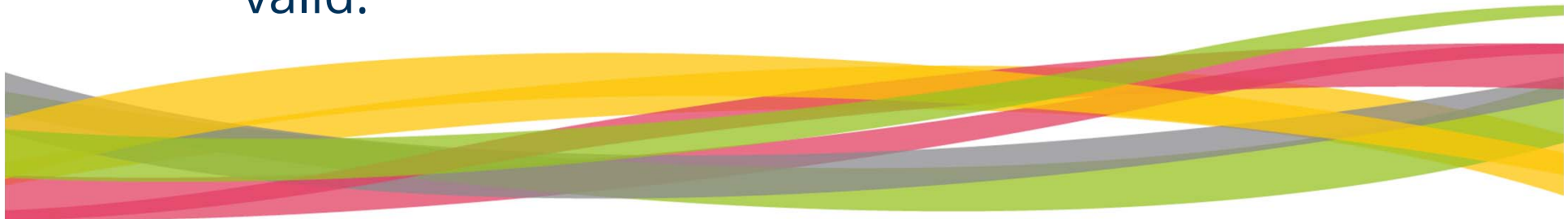




## Exchange rate

- + 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.

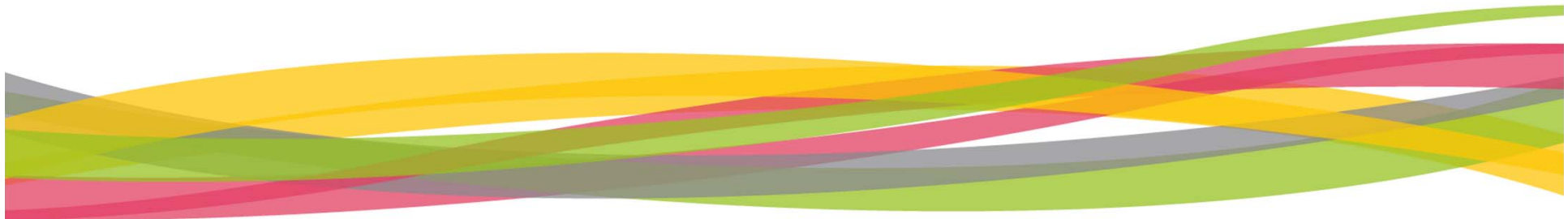
Only the official exchange rate of the day when the expenditure report is sent to the FLC is valid.





# Representation

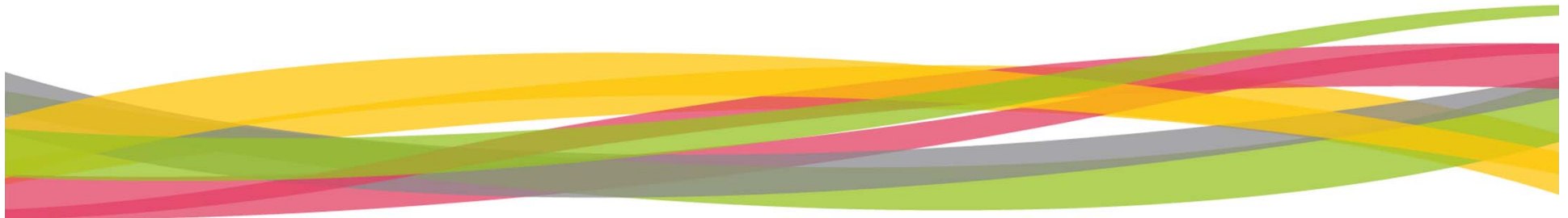
- + Some countries have draconic rules on alcohol or even on the use of water – learn the rules or pay yourself.





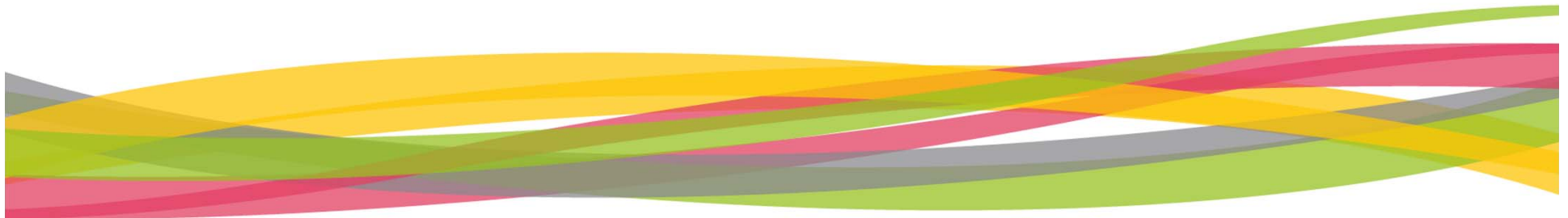
## One more error!

- + Requests for information from the Second Level Control was ignored.

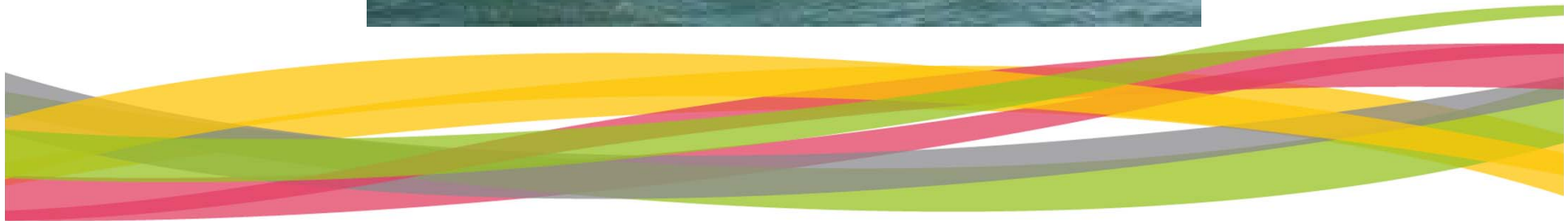




So, what do you think happens when you ignore the Second Level Controller?



# This happens!





Thank you for your patience!

