



# 1st Level Control in the North Sea Region Programme

First Level Control Seminar, 6/7 October 2010, Bergen



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# Relevant bodies of the programme

- Organisations involved in the projects
  - Lead Beneficiaries
  - Beneficiaries/sub-partners
- Managing Authority
  - Most tasks delegated to Joint Technical Secretariat
    - Still, limited mandate
- Certifying Authority
  - Ultimate decisions regarding payments

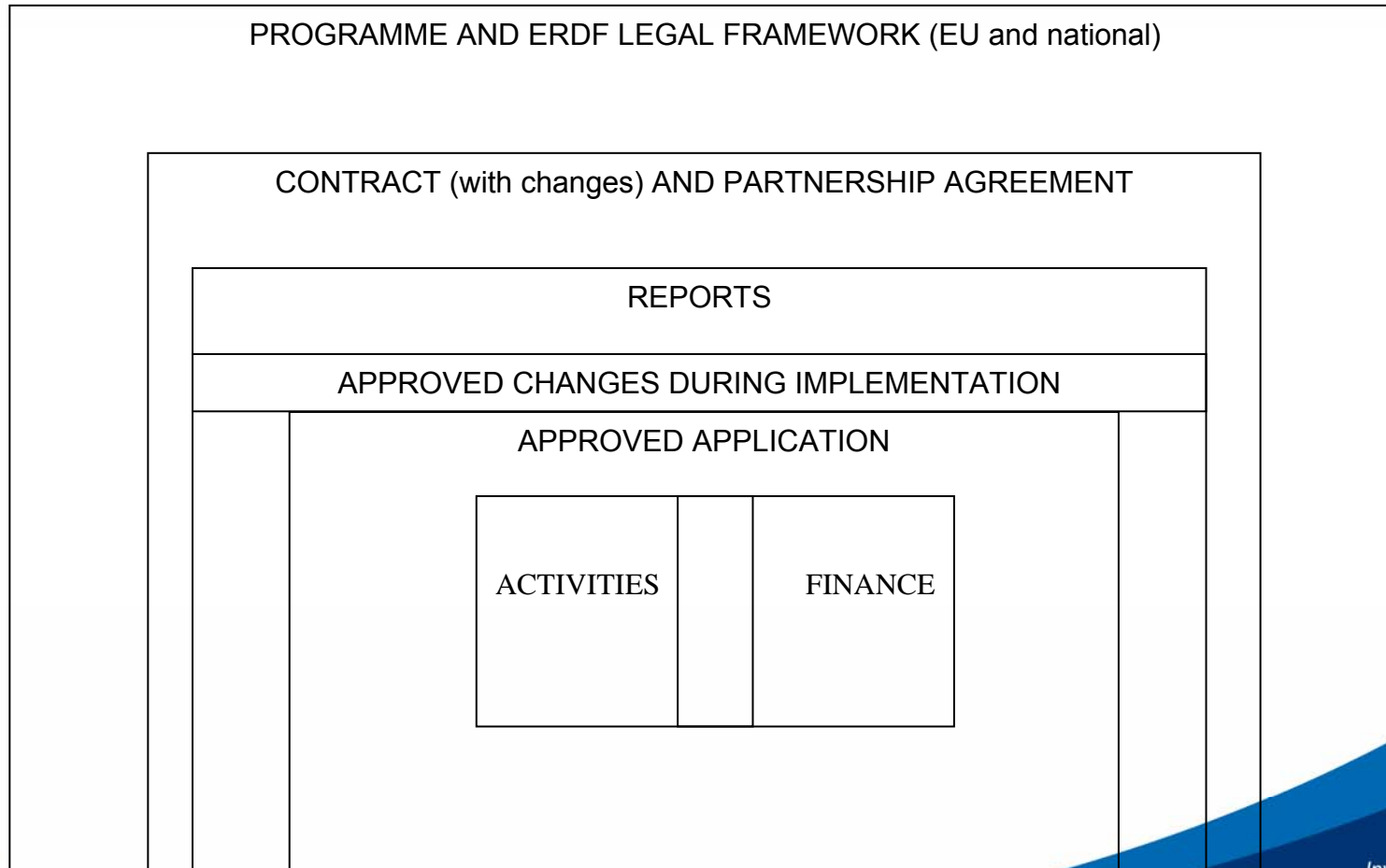


# Relevant bodies of the programme (II)

- **Monitoring Committee**
  - National (ERDF responsible) and regional representatives having ultimate responsibility for the programme direction and implementation
- **Steering Committee**
  - Deciding on projects approvals and rejections
- **Audit Authority**
  - Group of Auditors
- **National Authorities – Ministry of Local Government and Regional Development in Norway**



# Legal framework for 1st level control work





# First Level Control - beneficiary level

- Article 16 of (EC) Regulation 1080/2006
  - Member States set up a system to verify at each beneficiary:
    - Delivery of products and services co-financed
      - Physical delivery
    - The soundness of expenditure declared for operations
      - Correct reporting, accounting and supporting evidence
    - Compliance with the approval decision, EU and National Rules (Manual)
      - E.g. eligibility, public tender, etc.

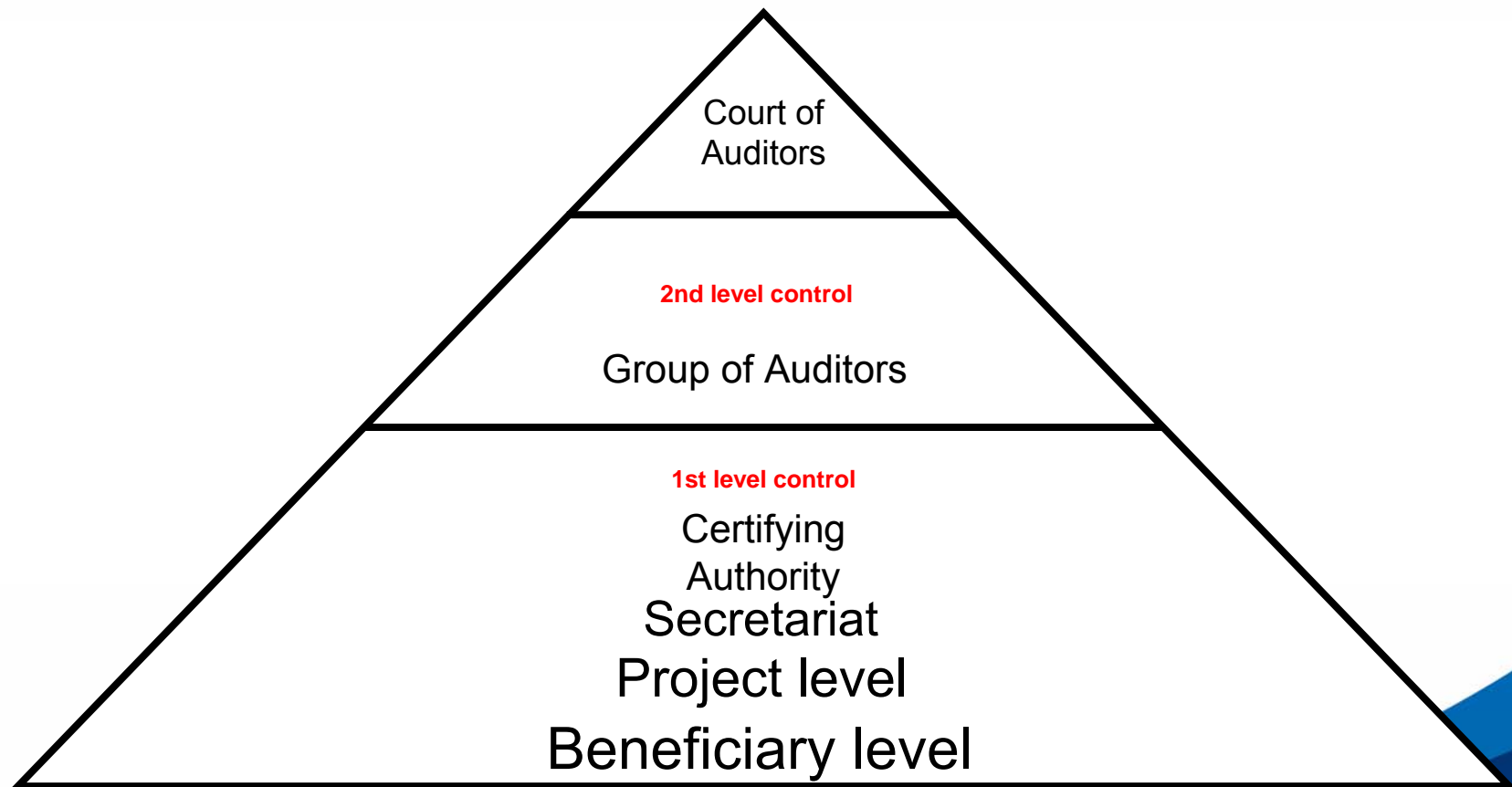


## First Level Control – beneficiary level (II)

- Key control level and the foundation of the whole control system of the Programme
  - The closest to the operation and beneficiaries
  - In the best interest of beneficiaries
- Looks like IIIB?
- Weaknesses of IIIB defined the requirements in IVB programme
  - Therefore the control ‘paperwork’ with detailed guidance and checklists must be used
    - also part of the check



# 1st level control – the context





# First Level Control - lead beneficiary (LB) level

- Article 20 of (EC) Regulation 1080/2006
  - LB has to make sure that:
    - Expenditure of beneficiaries incurred for the purpose of implementing the operation and agreed activities
    - 1st level control carried out at beneficiary level
  - Project controller must verify that:
    - LB has fulfilled the requirements
    - The control on beneficiary level gives reasonable assurance on eligibility of expenditure
      - No qualifications and seems professional – no remarks
      - If qualification or poor quality – professional judgement on assurance





# First Level Control – forms & checklists

- The standardised forms should make control on LB level more feasible
  - Approved by all Member States
  - Define the lower boundary of ‘reasonable assurance’ on project level
  - The project controller can always ask for more information, if in doubt
  - All rectifications must be documented, described and reported on – part of the feedback loop necessary for analysis of the quality of control
  - Only clarified issues included in the claim

**Forwarded to the JTS**

**Lead Beneficiary Controller  
Project level**

Control statement (section 10 of accumulated financial report form – apx. 8) + apx. 8a

1st level control checklist for accumulated expenditure on project level (apx. 6)

Any qualified Control Statement and Checklist on beneficiary level

**Lead Beneficiary  
Project level**

Accumulated reporting forms on activities (apx. 10) and finance (apx. 8) for the whole partnership

An overview of controlled realised expenditure for the whole partnership

**Beneficiary controller**

Control statement (section 10 of financial report form – apx. 7) + apx. 7a

1st level control checklist for beneficiary expenditure (apx. 5)

**Beneficiary and sub-partner level**

Reporting forms on activities (apx. 10a) and finance (apx. 7) for the beneficiary and sub-partners

A detailed overview spreadsheet showing all costs incurred and links to the Work Packages



## Second Level Control

- Article 62 of EC Regulation 1083/2006 requires Audit Authority to:
  - Verify effective functioning of the management and control system (Article 16 of EC Regulation 1828/2006)
    - On-the-spot check at beneficiaries location
    - Quality check of the 1st level control carried out
      - They will find something – sometimes, control success criterion
  - Ensure that audits are carried out on an appropriate sample
    - IIIB – minimum 5% of ERDF (7 projects checked)
    - IVB – random statistical sampling (?% of ERDF)



# 1st level control in practice

LET'S HAVE A LOOK AT THE CHECKLIST

Please ask questions as we go along



# Questions, questions, questions?



# THANK YOU

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# FIRST LEVEL CONTROL in practice



# The set up of the 'workshop'

- Informal
  - Who is who?
    - Project managers (experienced/not), controllers?
- Any questions about FLC from yesterday
- Small introduction on my side
- Hands on approach
  - Go through the checklists
  - You are lucky, you know what you will be checked on;-)
- Your time for questions to us
- Opportunity to exchange knowledge with the experienced ones...





# The Manual

- Who read it?
- Appendix 1 – “Guidance document...”
  - Key document for establishing the scope, timing and intensity of control
    - Cotrollers tasks in ETC = MA tasks in other programmes
- Appendix 2 – remember that it is not final yet!
- Appendix 11 – National Rules



# Eligibility

- In law (events library on programme web site – 1st LBS)
  - EU regulations, Fact Sheet No2, National Rules (appendix 11 of the Manual – DK, still awaiting re-confirmation on Scottish rules)
  - Real costs with supporting accounting evidence
- In time
  - Submission of application – project closure
  - Derogation: Preparation costs
- In space
  - Eligible area
  - 20% in the 3 neighbouring programmes (BSR, NWE, NPP)
  - 10% rest of EU
- In function
  - Project application / approved changes (prior to execution)
  - Project relevant



## Eligible Costs – sources

- National rules
- (EC) 1083/2006 Art. 56 Eligibility of expenditure
- (EC) 1080/2006 Art. 7 (1) Eligibility of expenditure
- (EC) 1080/2006 Art. 13 Rules on eligibility of expenditure
- (EC) 1828/2006 Art. 47-53 Eligibility
- Fact Sheet No 2
- FAQ



## Eligible Costs I

- Real costs with supporting documentation
- Within eligible period
  - Preparation costs
- Only activities in the approved application
- Additional/changed activities only if approved by the secretariat
- Eligible area (20/10%)



## Eligible Costs II

- Expenditure by public authorities
  - Additional
  - Only real costs
  - Certified
- Land purchase  $\leq$  10% total eligible expenditure unless environmental conservation
- In kind contribution (max.50%): e.g.: land (max.10%), real estate, equipment, raw materials, etc.
  - Value to be independently assessed and certified by an authorised body



## Eligible Costs III

- Staff Costs
  - Timesheets
  - Hourly rate calculation:
    - Payslips, contract
    - National rules for the number of hours
- Ordinary overhead costs:
  - Rent, heating, cleaning, fax, phone, IT etc.
  - Pro rata basis
  - Flat rate of up to 25% - documented and reviewed
  - FAQ reference
- Irrecoverable VAT



## Eligible Costs IV

- Depreciation
  - Only depreciation for equipment, unless project life-time is long enough to depreciate full value
  - Only if purchase not declared as eligible expenditure
- Financial charges
  - Resulting directly from requirements of the programme
  - Directly linked to and necessary for implementation
  - No interest on debt, fines, financial penalties, legal disputes
- Other costs
  - Costs not fitting in anywhere else: freight, insurance, exhibition, courier etc.
- Income:
  - Any income must be reported on as a negative value
  - Only net costs are eligible
    - Eligible costs - Income



# Accounting System

- Separate accounts for the project
- It is recommended that you use the structure of the budget lines used in the application and the periodic report form for all partners
- The audit trail: Ensure that it is possible to reconcile the amount on each budgetline with the individual expenditure records and supporting documents from the accounting system
- Accounting evidence and documents must be kept on file until 2023
  - For partners and sub-partners (especially those, which left the project or no longer exist)
- Involve the Project Controller and the Finance Manager from the very beginning