

Financial Managers Seminar

Leiden, 18-19 October 2010

First Level Financial Controllers How to do the control of documents?

Parallel session – Session B

Classroom B0031



FLC – How to do the controls of documents?

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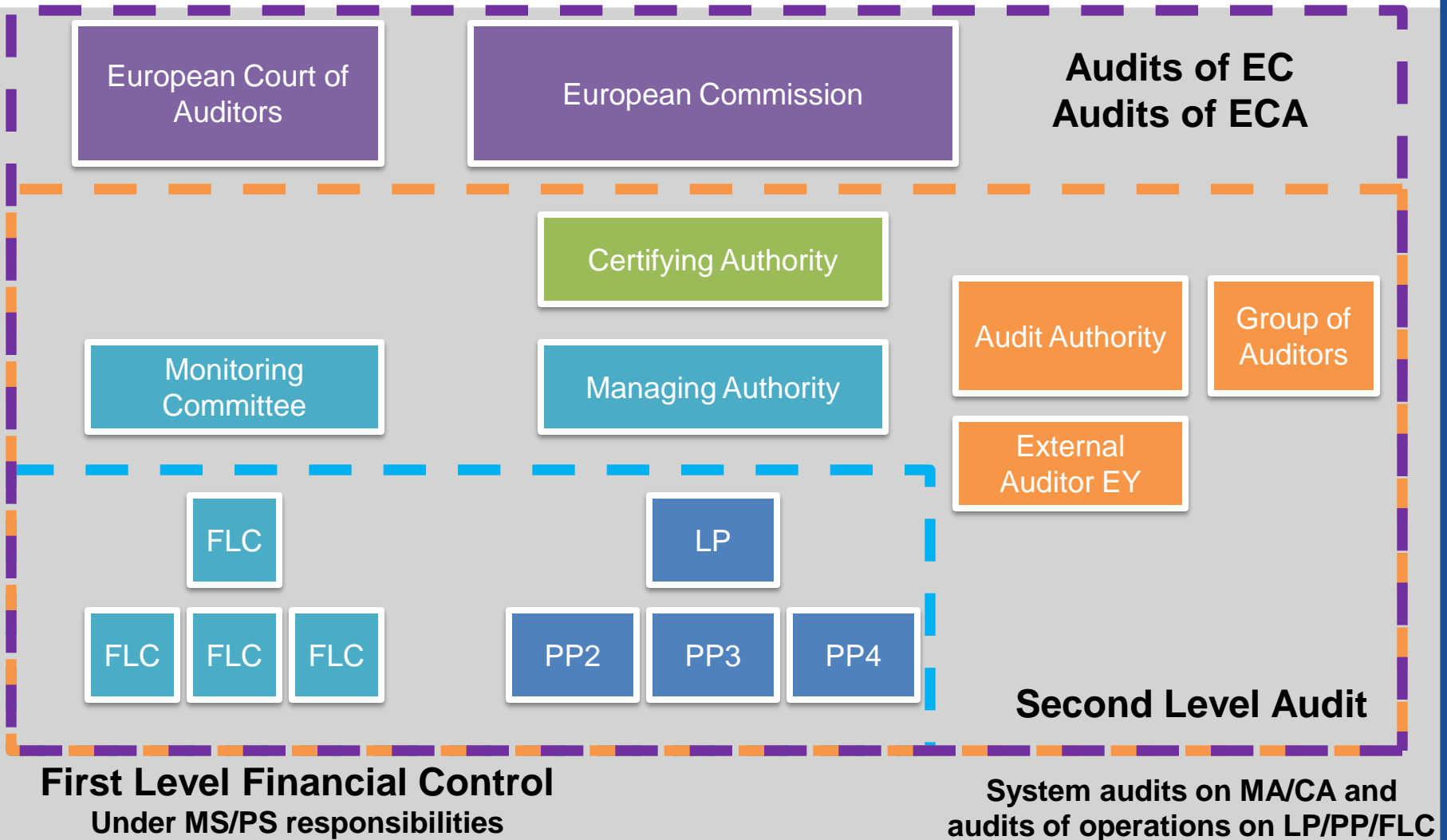
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Legal Framework of FLC

According to Article 16 of Regulation 1080/2006 :

- “In order to validate expenditure, each MS shall set up a control system. This control system must make it possible to **verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on its territory, and the compliance of such expenditure** and of related operations, or parts of those operations, **with Community rules and its national rules.**
- For this purpose, each MS shall designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation. MS may decide to designate a single controller for the whole area.
- Each MS shall ensure that the expenditure can be validated by the controllers within a period of three months.”

FLC Control System Overview



FLC - Control System Overview

Decentralised System

- The controller is proposed by each partner to a central MS authority (Central Approbation Body), on the basis of a questionnaire/checklist with specific selection criteria related to independence, competence and delays;
- The controller can be internal as well as external as long as (s)he is qualified and from a unit independent of operation's activities and finances;
- Only after the choice is confirmed by the central MS authority, the controller can assume its role.

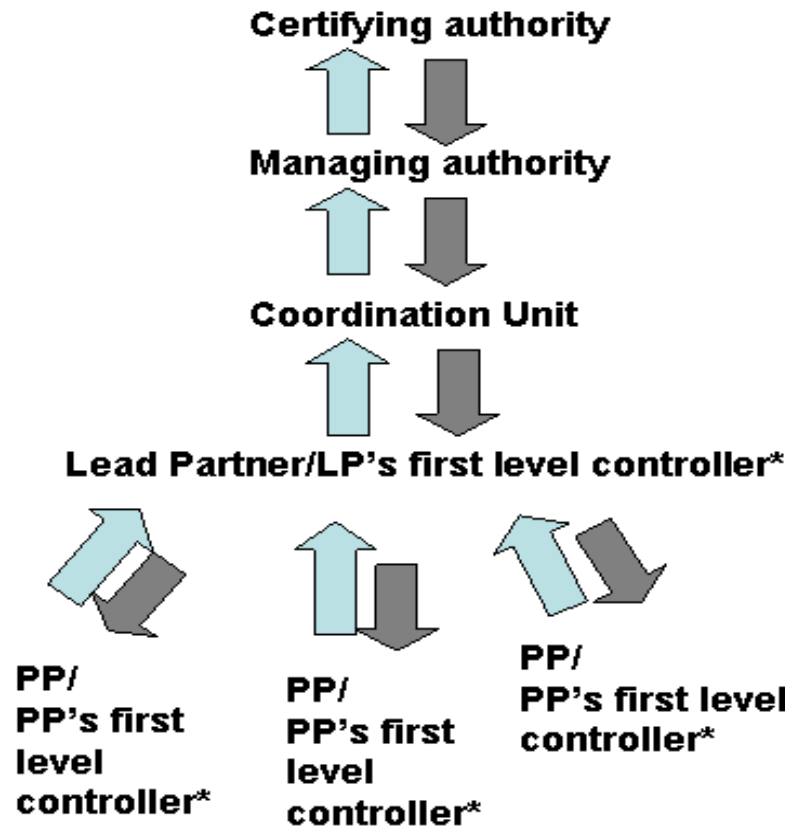
Centralised System

- Expenditure are certified by the nationally designated controller (the list and contact details are available on the ESPON website)

Information of each country can be found on the ESPON website under : Calls > Legal Framework > First Level Financial Control

http://www.espon.eu/main/Menu_Calls/Menu_LegalFramework/firstlevelfinancialcontrol.html

FLC – Reporting process



CA approves/rejects the PR.
-If approved, payment order is prepared and transferred to the LP.
-If rejected, PR is sent back to MA/CU

MA approves the PR and sends it to the CA. If MA rejects, PR is sent back to CU

PR monitored by a Project Expert and a Financial Expert of the CU

LP compiles PPs' reports into a single PR: LP controller verifies LP expenditure +compiling of PPs' reports into PR. LP transfers Programme funds upon receipt.

PPs' expenditure validated by first level controllers at each PP level

* In compliance with the control requirements specific for the country the partner is located in

FLC - Control process

1/ Coordinate of intervention with the partner (organisation, planning, tasks...) at early stage



6/ Make the follow-up of any recommendations/ corrective actions requested by central authorities

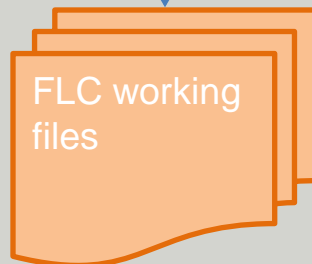
5/ Complete and sign the FLC control Documents (Xls. Files) and send originals to Partner



2/ Check the partner financial documents and their related working supporting documents



3/ Sign the partner financial and activity reports



4/ Keep working files evidencing the controls for audit trail (electronically, papers,...)



FLC - Scope

Check the **sound financial management** and more particularly check that expenditure reported **fulfils the following conditions:**

- The expenditures are in line with the legal basis of the implementation of the project (e.g. conditions of the programme, approved application form and subsidy contract etc.);
- The costs are accounted correctly and sufficiently supported (e.g. invoices, receipts, complete audit trail etc.);
- The costs are eligible towards overall eligibility issues (e.g. eligibility and reporting periods, direct link to the operation, VAT, absence of double funding etc.);
- The correct exchange rate was applied;
- Public Procurement procedures have been respected and are fully documented (both at EU and national level etc.);
- The expenditure are in line with the specificities of the type of expenditures and budget lines (Staff costs, Administration costs, Travel and Accommodation, Equipment, External Expertise and Services);
- The expenditure complies with the partner budget;
- The expenditure complies with the Community/EU rules (e.g. publicity and information, state aid, environment, equality of chance, etc.);
- The related activities, sub-contracted supplies and services are in progress, have actually taken place, or have been delivered or carried out;

FLC - Certification

- Controllers are required to use a **standard control checklist** and to fill in a **standard control reporting form** detailing, for example, types of controls implemented; expenditures verified; expenditure not accepted.
- By signing the certification of expenditure the controller is verifying all requested items and declares the **proper use of funds**.
- The controller's control documents are useful document and are also part of the project documentation/audit trail.
- All FLC documents are sent all together with the project progress reports and are transmitted to the ESPON CU via the Lead Partner.

FLC – preparation of controls

- Gather the reference documents library and check if reference documents are up to date
- Define the work approach of the controls: desk or on-the-spot
- Gather basic information about the beneficiary to be controlled
- Enter in contact / Start interviews with the beneficiary
- Identify issues to be checked in priority by discussion with the beneficiary
- Review the main reference documents of the beneficiary (payslips, travel invoices,...)
- Define with the beneficiary in advance the supporting documents to be controlled, prepare a standard list with this beneficiary
- Define the date of intervention in advance to ensure the availability of the beneficiary
- Be proactive in the follow-up in case of clarification requests
- Check previous recommendations before launching the new controls

FLC – preparation of controls

FLC reference documents:

- EU Regulations, in particular, Art. 16 of Regulation (EC) No 1080/2006 of the European Parliament and of the Council
- Guidance document on management verifications to be carried out by Member States on projects co-financed by the Structural Funds and Cohesion Funds for the 2007-2013 programming period
- ESPON 2013 Programme Guidelines for Certification
- ESPON Programme Rules
- FLC Compendium
- National guidance, if any

Information about FLC system implemented and contact details on the ESPON website www.espon.eu.

- For any update of information, please contact the ESPON CU

Legal framework information can be found under the ESPON website :

http://www.espon.eu/main/Menu_Calls/Menu_LegalFramework/

FLC control documents overview

For decentralized system only

Designation Checklist

- For whole reporting period OR each time, in case of change
- To be certified by CAB, duly signed originally
- "ad personam" with requirements refer to the nominated controller

For decentralized and centralized systems

Control certificate LP / PP

- Certification of control procedure compliant with requirements
- Summary of expenditures reported by LP/PP and expenditures certified by FLC

Control checklist

- Control checklist by control procedures and budget categories
- Exhaustiveness of control
- Possibility of commenting the results

Control Report

- Control report on methodology, details on expenses rejected, conclusions of reliability of the expenses reported and if any, recommendations

FLC control documents overview

Designation checklist: designation of the FLC (in decentralized system only).

- Prepared by the LP/PP who designate the FLC
- Assisted by the FLC to answer the questions on competences, skills, experience, independency, and reference documents to be provided
- Duly signed and stamped by LP/PP and FLC
- To be sent by the Central Approbation Body for approbation
 - Please note that the designation is “ad personam”

Control Checklist: checklist for controls performed by the FLC

- Prepared by the FLC after his/her controls
- Answers to be provided for each question on general documentation, expenses per budget category, compliance with budget and community rules, internal control system
 - FLC is invited to put any explicative note in the control Checklist to help understand any potential corrections or clarifications provided by the partner consecutively to the FLC controls.

FLC control documents overview

Control Report: of the FLC

- Prepared by the FLC after his/her controls
- Answers to be provided for each question on methodology applied by the FLC, general observations and the detailed information on expenditures not accepted by FLC, conclusion on the reliability of the system and recommendations and/or follow-up to be done
 - Please keep of follow up of corrections consecutively to the controls described in the control checklist

Control Certificate: of the validation of the expenditures

- Prepared by the FLC after his/her controls
- Confirmation of statement on expenditures reported and expenditures certified
- Expenditures reported are the expenditures initially reported by the LP/PP before the FLC control
- Expenditures certified are expenditures accepted by the FLC after his/her control
- Difference amounts to the expenditures not accepted by the FLC after his/her control
 - Please note that any difference must be explained by the FLC by the control report and control checklist.

FLC control documents overview

ESPON 2013 Programme

Designation Checklist & Certificate

- The Designation Checklist & Certificate has to be filled in only if the controlled partner is located in a country with decentralized first level control system. Information on the system of each country can be found on the ESPON 2013 website (www.espon.eu). In this case the partners need to propose a controller to the Central Approbation Body, who has the duty to check if the controller fulfills the requirements set by the ESPON 2013 Programme and by the Member/Partner States for being designated.
- The signed and stamped Designation Checklist & Certificate has to be sent by the Lead Partner to the ESPON CU (IN ORIGINAL) together with the first Project Progress Report and each time when new controller is proposed and designated. Therefore each Project Partner located in a country with decentralized first level control system is requested to provide its Lead Partner with an ORIGINAL, duly signed and stamped Designation Checklist&Certificate together with its first Partner Progress Report (and each time when new controller is proposed and designated).
- The form has to be filled in, signed and stamped by the controlled Lead/Project Partner and the proposed controller first. The signed document together with any relevant supporting documents requested by the Central Approbation Body (such as organisation chart, proof of qualification, etc.) is than to be sent to the Central Approbation Body for approval.
- Please note that the designation is "ad personam" and requirements refer to the nominated controller.

- The following part has to be filled in by the proposed controller in cooperation with the controlled Lead/Project Partner

Project number:		08/02/2013
Project acronym:	ESPON SKH	
Contract number:	028/2009	
Progress Report number:	entire project implementation period	
Reporting Period covered:	26/06/2008-31/12/2012	

FLC control documents overview

ESPON 2013 Programme

Control Certificate of the validation of expenditure - Lead Partner

TO BE FILLED IN BY THE FIRST LEVEL CONTROLLER OF THE LEAD PARTNER

This document cannot be modified in any of its content. It must be filled in, signed, stamped and accompanied by the Control Checklist and the Control Report and attached to the Project Progress Report it refers to. All white fields have to be filled in. The contact details of the First Level Controller must correspond to the contact details in the Project Progress Report and in the Checklist for Designation & Designation Certificate (if relevant), otherwise this certificate is NOT valid and the payment will NOT be released.

Project number:	08/02/2013
Project acronym:	ESPON SKH
Contract number:	028/2009
Lead Partner:	HKDR
Progress Report number:	2
Reporting Period covered:	08/12/2008-30/06/2009

The First Level Control System is: (please mark whichever is the case)

Centralized

Decentralized

The Checklist for Designation & Designation Certificate proving my designation by the Central Approbation Body:

is enclosed

has been submitted and the controller has not been changed ever since

I, the undersigned first level controller certify that the control procedures have been carried out in accordance with:

- Art. 16 of Regulation (EC) No 1080/2006 of the European Parliament and of the Council
- Guidance document on management verifications to be carried out by Member States on projects co-financed by the

FLC control documents overview

ESPON 2013 Programme

Control Checklist for First Level Control

This Control Checklist has to be filled in and sent together with the Control Certificate and Control Report.

Project number:	2013/08/2
Project acronym:	ESPON SKH
Contract number:	028/2009
Lead/Project Partner:	HKDR
Lead/Project Partner number:	LP
Progress Report number:	2
Reporting Period covered:	08/12/2008-30/06/2009

1. Basic Documentation

	Yes/No	Comments
1. Have the following basic documents been available:		
• The filled in Partner/Project Progress Report duly signed and stamped?	yes	
• A copy of the Subsidy Contract and all its annexes and addenda, such as budget reallocation(s) etc. (if relevant)?	yes	
• Partnership Agreement?	yes	
• Project Deliveries (e.g. Inception Report, Interim Report, Draft Final Report, Final Report if relevant)?	yes	

2. General Control (These general questions apply to all expenditure included in the Partner/Project Progress Report. As consequence an answer might be given only after all individual expenditure included in the report have been checked according to section 3.)

FLC control documents overview

ESPON 2013 Programme

Control Report of First Level Control

TO BE FILLED IN BY THE FIRST LEVEL CONTROLLER

The Control Report is part of the project documentation/audit trail. The report should be sent to the Lead Partner and then transmitted to the ESPON Coordination Unit (IN ORIGINAL) together with the project progress report.
A control report has to be filled in by each controller. The Control Report of the Lead Partner's controller will cover as well the additional control elements related to the LP's role.

Project number:	2013/08/2
Project acronym:	ESPON SKH
Contract number:	028/2009
Lead/Project Partner:	HKDR
Lead/Project Partner number:	LP
Progress Report number:	2
Reporting Period covered:	08/12/2008-30/06/2009

Please state below briefly the outcome of the control.

The controls were made on the spot or desk check

The date of receipt of the documents from the controlled Lead/Project Partner:

01/07/2009

The report should contain at least the following elements:

FLC - controls procedures

- Identify **issue** to be checked (via regulation, guidance documents, previous experiences, sector knowledge,...)
- Identify **relevant types of documents** to be checked
- Determine **extent of checks** :
 - 100% required, only in exceptional cases - repetitive expenditure supported by the same type of administrative documentation - a sample, limited to each group of repetitive expenditure, can be drawn. In these exceptional cases the justification for sampling must be provided and the sampling methodology described and its application documented
- Perform **check on supporting documents**. In case of insufficiency of documentation, request clarification and supplementary supporting documents
- Assess **results** and **draw conclusions**. In case of problems or errors detected, determine the correction to be made before certifying the expenses
- **Document the results** (with the FLC control documents, with filing the working documents (memos, tick-marked documents,...)).

Staff costs

Control examples

- Check name and position of the staff declared and compared with the Application Form / Interview / Discuss with the partner who are the persons and their role within the project and compare with the progress report / staff sheet
- Check the months declared if it enters into the eligibility period and link the number of hours with the activity reports, generally and by workpackage
- Recalculation of hourly rate based on annual gross salary and annual workable hours
- Check accordingly all supporting documents related to staff costs

WORKPACKAGE CO-ORDINATION

staff name	role in the project	month (mm/yyyy)	total no. of worked hours	hourly rate in national currency	currency	exchange rate	hourly rate EURO	cost in EURO	comments
Erik Evens	Coordinator	01/2009	40,0	300,00	SEK	10,95000	€ 27,40	€ 1 096,00	
Erik Evens	Coordinator	02/2009	54,0	300,00	SEK	10,53410	€ 28,48	€ 1 537,92	
Alexandra Meyer	Researcher	02/2009	16,0	350,00	SEK	10,53410	€ 33,23	€ 531,68	
Julia Holmes	Financial Manager	03/2009	14,0	250,00	SEK	11,31750	€ 22,09	€ 353,44	Financial Seminar
Subtotal								€ 3 519,04	
Preparation cost									
Subtotal of Preparation Costs								€ 0,00	
Total eligible costs								€ 3 519,04	

Staff costs

Control examples

- Reconciliate total of declared worked hours and time-sheets
- Arithmetic control of total columns (to look for hidden lines or cells)
- Discuss the comments with the partner if they are not clear
- Keep track of your working documents evidencing the staff costs controls
- Report the results of your controls in the Control Report File / section staff costs. Detail methodology and explain unclear statements
- Keep your working documents for the audit trail ...

WORKPACKAGE CO-ORDINATION

staff name	role in the project	month (mm/yyyy)	total no. of worked hours	hourly rate in national currency	currency	exchange rate	hourly rate EURO	cost in EURO	comments
Erik Evens	Coordinator	01/2009	40,0	300,00	SEK	10,95000	€ 27,40	€ 1 096,00	
Erik Evens	Coordinator	02/2009	54,0	300,00	SEK	10,53410	€ 28,48	€ 1 537,92	
Alexandra Mayer	Researcher	02/2009	16,0	350,00	SEK	10,53410	€ 33,23	€ 531,68	
Julia Holmes	Financial Manager	03/2009	16,0	250,00	SEK	11,31750	€ 22,09	€ 353,44	Financial Seminar
Subtotal								€ 3 519,04	
Preparation cost									
Subtotal of Preparation Costs								€ 0,00	
Total eligible costs								€ 3 519,04	

Administrative costs

Control examples

- Check if cost items included in admin. costs are all eligible to the ESPON project
- Check if calculation methodology is coherent and in line with the thresholds and requirements
- Be sure of reporting actual costs instead of budget overheads; do not use theoretical charges for certain overheads (e.g. 15% central admin charges)
- Be sure not to include items in the overhead calculation already reported in other budget lines
- Make sure date of payment is eligible ...
- ... + arithmetic controls, supporting docs, audit trail ...

F. ADMINISTRATION - List of Expenditure

WORKPACKAGE CO-ORDINATION

receipt number	description of expenditure	date of invoice (dd/mm/yyyy)	date of payment (dd/mm/yyyy)	cost in national currency	VAT	currency	exchange rate	cost in euro	comments
N/A	Overhead, indirect general costs	01/2009	01/2009	680,00	0,00	SEK	10,95000	€ 62,10	calculation and verifications enclosed for FLC
N/A	Overhead, indirect general costs	02/2009	02/2009	1 190,00	0,00	SEK	10,53410	€ 112,97	
N/A	Overhead, indirect general costs	03/2009	03/2009	527,00	0,00	SEK	11,31750	€ 46,57	
Subtotal								€ 221,63	
Preparation cost									
Subtotal of Preparation Costs								€ 0,00	
Total eligible costs								€ 221,63	

Travel costs

Control examples

- Make sure that the traveler is member of the project team
- Check that the purpose of travel and the dates of travel are coherent with the activity report
- Check that each invoice = one line
- Check that date of payment in within the reporting period (if not, should be reported to the correct reporting period)
- Check that the expenses incurred in one Euro-zone country are declared in euros
- Check if the correct exchange rate has been applied for the corresponding reporting month
- ... + arithmetic controls, supporting docs, audit trail ...

WORKPACKAGE CO-ORDINATION

receipt number	name of the traveller	purpose of the travel	dates of travel (dd/mm/yy-dd/mm/yy)	country of destination	description of the expenditure	date of invoice (dd/mm/yyyy)	date of payment (dd/mm/yyyy)	cost in national currency	VAT	currency	exchange rate	cost in EURO	comments
2090034	Erik Evens	Kick-off meeting	16/02/2009 - 17/02/2009	Belgium	Flight Brussels - Stockholm	21/01/2009	11/02/2009	1 215,00	0,00	SEK	10,53410	€ 115,34	
469008	Erik Evens	Kick-off meeting	16/02/2009 - 17/02/2009	Belgium	Train Paris - Brussels	07/01/2009	25/03/2009	74,00	0,00	EUR	1,00000	€ 74,00	
469008	Erik Evens	Kick-off meeting	16/02/2009 - 17/02/2009	Belgium	Hotel	17/02/2009	25/03/2009	74,57	0,00	EUR	1,00000	€ 74,57	
469008	Erik Evens	Kick-off meeting	16/02/2009 - 17/02/2009	Belgium	Metro card	16/02/2009	25/03/2009	7,30	0,00	EUR	1,00000	€ 7,30	
469008	Erik Evens	Kick-off meeting	16/02/2009 - 17/02/2009	Belgium	Airport train, Belgium	17/02/2009	25/03/2009	3,00	0,00	EUR	1,00000	€ 3,00	

Equipment costs

Control examples

- Check if the equipment was already budgeted in the Application Form
- Check if the depreciation share is correctly calculated (depreciation method and share of utilization for the ESPON project)
- Check on site the physical existence of the equipment
- ... + arithmetic controls, supporting docs, audit trail ...

H. EQUIPMENT - List of Expenditure

- You can report here only the equipment which had been listed in the approved Application Form.
- The amount for equipment has to reflect the actual use of these items in the context of the project. If it is not exclusively used for project purposes, only a share of the depreciation quota can be allocated to the project. This share has to be calculated according to a fair, justified and equitable method.
- The documentation of the method for reporting them (depreciation method according to national legislation) has to be kept for accounting, control and audit purposes.

ESPON 2013 PROGRAMME

Project number: 082_PR2_08_0117
Project acronym: ESPON SKH
Contract number: 025/2009
Project Partner name: NSPR
Project Partner number: Leadpartner
Progress Report number: 2
Period covered: from 08/12/2008 to 30/06/2009

WORKPACKAGE CO-ORDINATION

receipt number	description of the equipment	amount of purchase in national currency	date of invoice (dd/mm/yyyy)	date of payment (dd/mm/yyyy)	depreciation share in national currency	VAT	currency	exchange rate	cost in EURO	comments
KO548	laptop	1000,00	12/07/2008	20/08/2008	166,20	0,00	EUR	1,00000	€ 166,20	
Total eligible costs									€ 166,20	

Ext. expertise costs

Control examples

- Check the name of the supplier, the related contract and the public procurement procedure if any
- Check the description of tasks and the corresponding delivery if any and compare with the activity report
- Make sure that the date of payment is within the reporting period
- ... + arithmetic controls, supporting docs, audit trail ...

I. EXTERNAL EXPERTISE AND SERVICES - List of Expenditure

• You can report here only the costs of the external expertise or services which had been budgeted in the approved Application Form.

ESPON 2013 PROGRAMME

Project number: 082_PR2_08_0117
 Project acronym: ESPON SKH
 Contract number: 025/2009
 Project Partner name: NSPR
 Project Partner number: Leadpartner
 Progress Report number: 2
 Period covered: from 08/12/2008 to 30/06/2009

WORKPACKAGE CO-ORDINATION

receipt number	name of the external expert/supplier	description of tasks according to contract	date of invoice (dd/mm/yyyy)	date of payment (dd/mm/yyyy)	cost in national currency	VAT	currency	exchange rate	cost in EURO	comments
469008	BAR	Dinner at Kick-off meeting, Brussels	16/02/2009	25/03/2009	228,10	0,00	EUR	1,00000	€ 228,10	
Subtotal									€ 228,10	
Preparation Cost										
Subtotal of Preparation Costs									€ 0,00	
Total eligible costs									€ 228,10	

Funds and budget

Control examples

Funds reception and funds transfer to partners

- Check the bank account statements proving the reception of funds and the transfer of Programme funds to partners
- Check if the paid amounts correspond to the amounts declared and accepted by the CU
- Check if any deduction has not been made arbitrary by the LP
- In case of bank fees applied for international transfers, fees are eligible and can be reported to the corresponding reporting period

Budget control

- Check the budget consumption compared to the approved one
- Check the reporting under each work package
- In case of overspending, you can note that these costs are eligible under the programme requirements. However, they can not be claimed due to overspending.
- Preparation costs must be only reported under the 1st reporting period

FLC- PMSS database access

How to access the PMSS Database?

One access to the ESPON PMSS Database has been given to the centralized First Level Controllers and Central Approbation Body representatives for the participating Member States and Partner States of ESPON 2013 Programme.

- Access: <http://espon.pms.gecko.de/espon/Login.aspx>

The Central Approbation Bodies can allow, if needed, access to the decentralized approved First Level Controllers by forwarding the Login and Password under their own responsibility.

A quick user guide of the ESPON PMSS has been also sent as an introduction to support the users using the database.