

National controller training

Copenhagen, 26th September 2023

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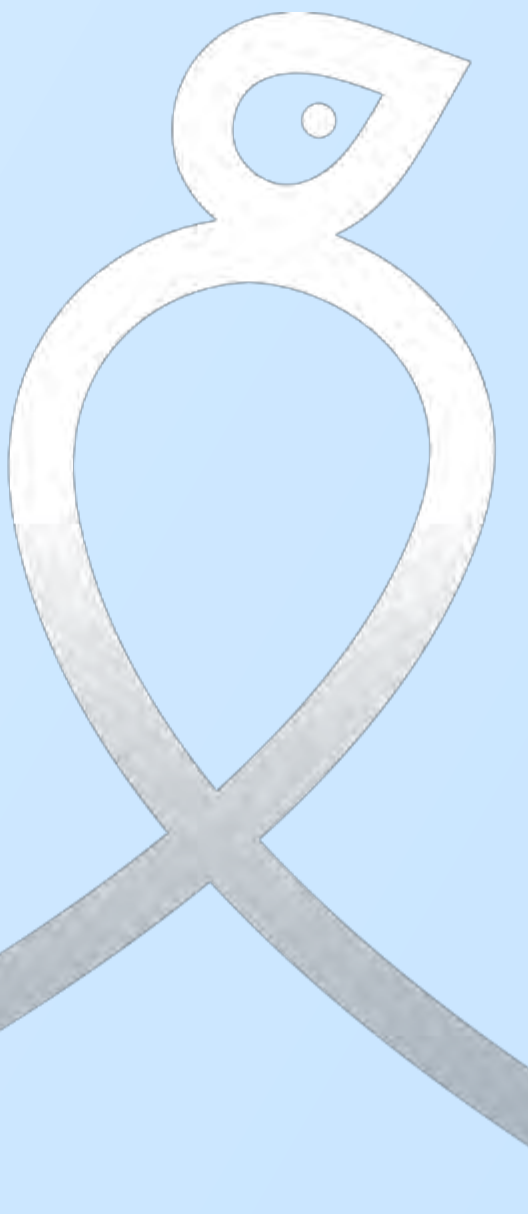
Eligibility rules and audit trail

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Hierarchy of rules on eligibility of expenditure

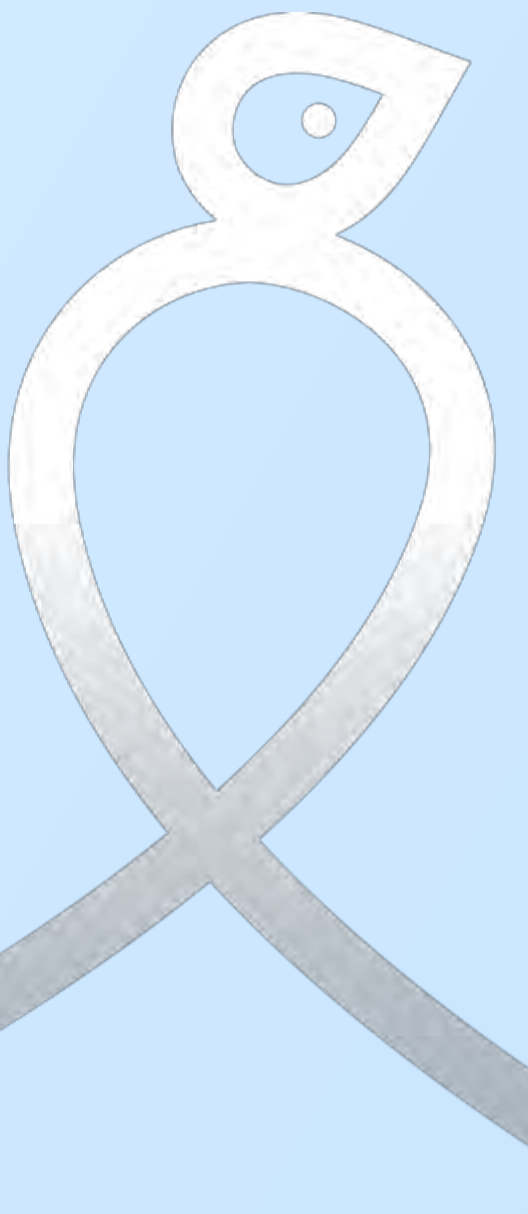
1. Rules defined in EU legal framework

2. Programme rules

- ✓ Established jointly by the Programme partner countries in the programme monitoring committee
- ✓ Apply to the programme as a whole
- ✓ Without prejudice to the rules on EU level

3. National rules

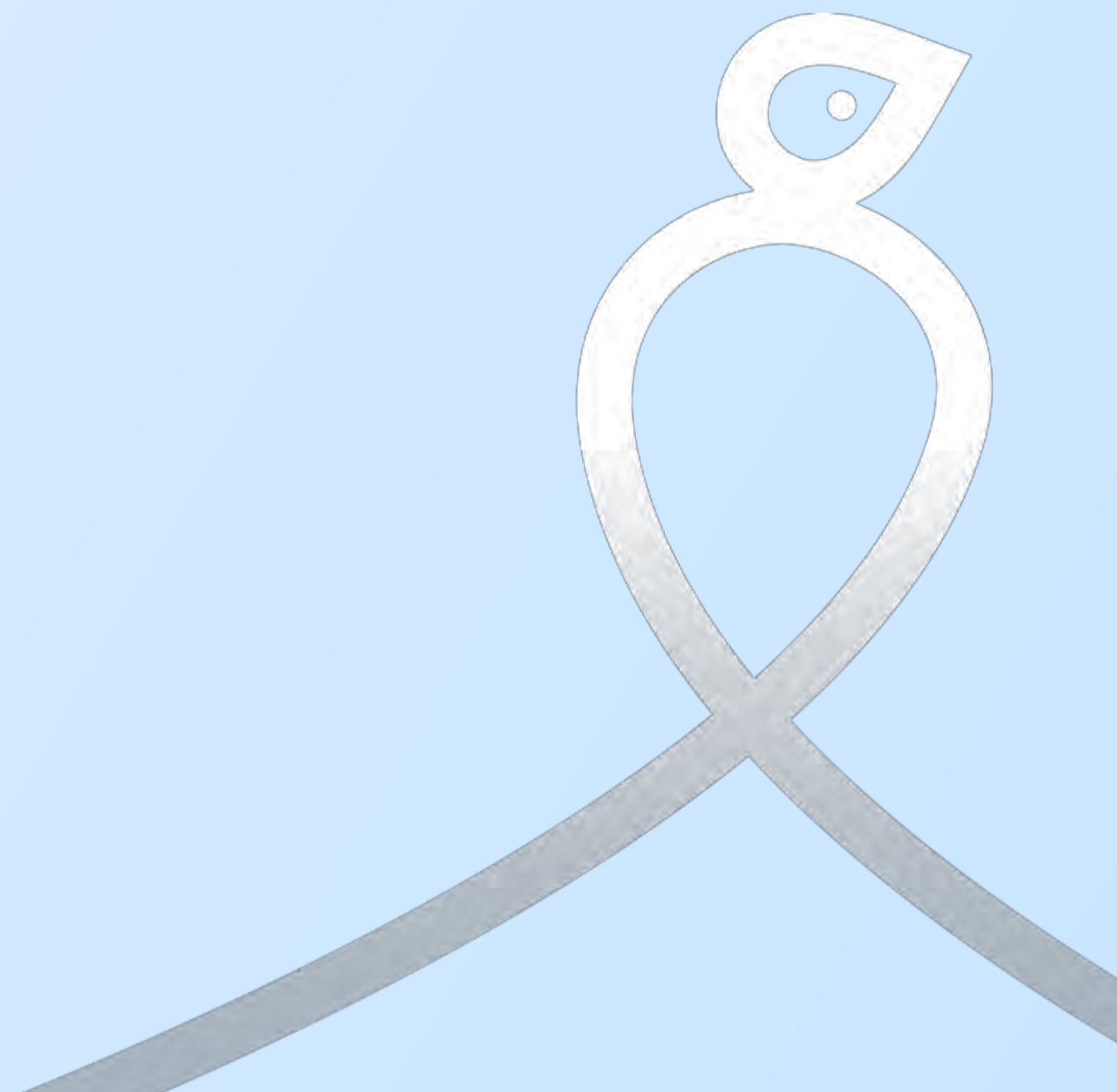
- ✓ For any other matters not covered by EU rules and programme rules
- ✓ Stricter rules in areas prescribed by EU rules



General principles of eligibility (1)

All expenditure in the allowed cost categories has to be:

- Project-related.
- Clearly connected to project activities traceable in the approved application form.
- incurred, entered in the project accounts and paid by, or on behalf of, the project partner during the project period.



General principles of eligibility (2)

- National public procurement rules have to be observed for all purchases and full documentation is needed. Even below national and EU thresholds, contracts with external providers, shall comply with the principles of transparency, non-discrimination, equal treatment and effective competition



General principles of eligibility (3)

- All or part of an operation may be implemented outside of the programme area, provided that the Interreg operation contributes to the objectives of the Programme.
- The project should have made a written request to the JS if not already in the approved application.



General principles of eligibility (4)

- Value added tax (VAT) is normally eligible (even if it is recoverable for the project partner). Please note that for partners funded under GBER 20 + GBER 20a then VAT is not eligible. Check the Grant Letter.



Cost Categories



1. Staff costs
2. Office and Administrative costs
3. Travel and accommodation costs
4. External expertise and services costs
5. Equipment costs

(Infrastructure and works not allowed in NPA)

1. Staff Cost

1. Staff costs shall consist of gross employment costs of staff employed by the Interreg partner in one of the following ways:

(a) full time;

(b) part-time with a fixed percentage of time worked per month;

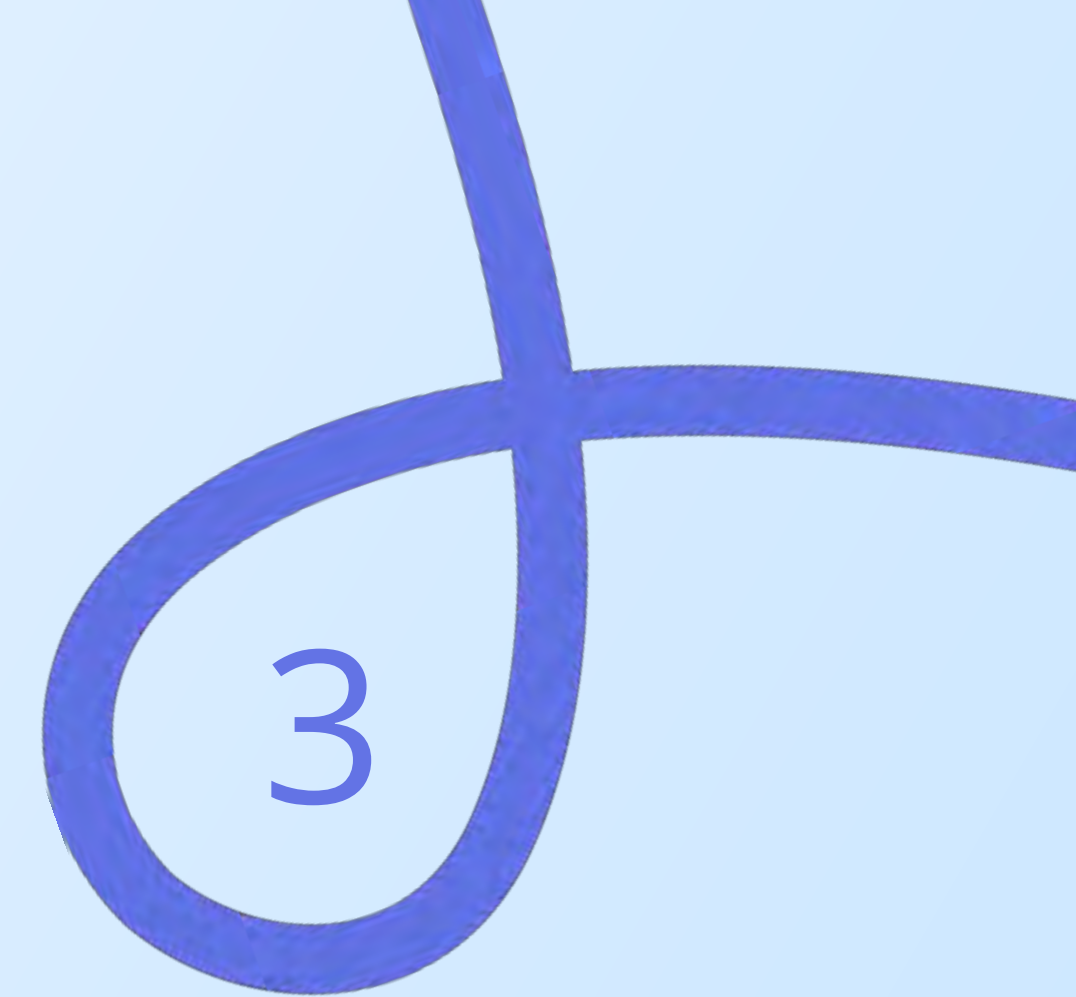
1. Staff Cost

2. Staff costs shall be limited to the following:

(a) salary payments related to the activities which the entity would not carry out if the operation concerned was not undertaken, provided for in an employment document, either in the form of an employment or work contract or an appointment decision, or by law, and relating to responsibilities specified in the job description of the staff member concerned;

1. Staff Cost

(b) any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council, on condition that they are:



1. Staff Cost

- (i) provided for in an employment document or by law;
- (ii) in accordance with the legislation referred to in the employment document and with standard practices in the country or the organisation where the individual staff member is actually working, or both; and
- (iii) not recoverable by the employer

1. Staff Cost

With regard to point (a) of the first subparagraph, payments to natural persons working for the Interreg partner under a contract other than an employment or work contract may be assimilated to salary payments and such a contract shall be considered to be an employment document.

1. Staff Cost

3. Staff costs may be reimbursed either:

- (a) as reimbursement of eligible costs actually incurred by a beneficiary, proven by the employment document and payslips;
- (b) as lump sums under simplified cost options as set out in point (c) of Article 53(1) of Regulation (EU) 2021/1060. In such cases, staff cost will be included in a lump sum. The lump sum is paid if the conditions as defined in the Grant Letter are met. No supporting documents are required for verification of the staff costs

1. Staff Cost

4. Staff costs related to individuals who work on part-time assignment on the operation, should be calculated as:

a fixed percentage of the gross employment cost in line with a fixed percentage of time worked on the operation per month, with no obligation to establish a separate working time registration system. The employer shall issue a document for employees setting out that fixed percentage and a description of tasks of the employee in the project.

Audit trail for Staff Cost

Required documents depending on the reimbursement option	Real costs	
	Full- time	Part time (Fixed percentage)
Employment/work contract/ <u>other</u> document	✓	✓
Job description	✓	✓
Payslips	✓	✓
Data from time registration system	✗	✗
Proof of payment	✓	✓

2. Office and Administrative costs

Office and administrative costs shall be limited to the elements mentioned in the eligibility rules section of the Programme manual.

Office and administrative costs shall be financed as a flat rate only, and they shall be calculated as a fixed percentage of 15 % of the eligible direct staff costs.

Audit trail for Office and Administrative costs

The flat rate does not require that the expenditure has been incurred and paid or that the flat rate corresponds to real costs.

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3.Travel and accommodation costs

1.Travel and accommodation costs, regardless whether such costs are incurred and paid inside or outside the Programme area, shall be limited to the following elements:

- (a) travel costs (such as tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
- (b) the cost of meals;
- (c) accommodation costs;
- (d) visa costs; and
- (e) daily allowances.

3. Travel and accommodation costs

2. Any cost element listed in points (a) to (d) of paragraph 1 covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

3. Travel and accommodation costs of external experts and service providers fall under external expertise and services costs.

3. Travel and accommodation costs

4. Direct payment of expenditure for cost elements listed in points (a) to (d) of paragraph 1 by an employee of the beneficiary shall be supported by a proof of reimbursement by the beneficiary to that employee.

5. Travel and accommodation costs of an operation may be calculated at a flat rate of up to 15 % of the direct staff costs of that operation. If the option of a flat rate is chosen, this must be applied on partner level for the entire duration of the project.

Audit trail for Travel and Accommodation costs

The flat rate option does not require that the expenditure has been incurred and paid or that the flat rate corresponds to real costs.

If real costs reimbursement option is used then the following documents must be available:

- Agenda or similar of the event.
- Paid invoices (e.g. hotel invoice, travel tickets).
- Daily allowance claim.
- Proof of payment.

4. External expertise and services costs

External expertise and service costs cover expenditures paid by the partner organisation for the support in the project implementation provided by a public or private body or a natural person outside the partner organisation and all partners of the operation (See items in the eligibility rules section in the Programme manual).

To keep in mind:

Invoicing between partners is not allowed.

Travel and accomodation costs for external experts, speakers, chairpersons of meetings etc. should be reported in this category.

Audit trail for External expertise and services costs

The following main documents must be available for control purposes:

Evidence of the procurement process in line with the legal status/organisational/regional/national procurement rules or the EU procurement rules.

A document (contract) laying down the services to be provided with a clear reference to the project and the programme. Any changes must comply with public procurement rules and must be documented.

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Audit trail for External expertise and services costs

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The following main documents must also be available for control purposes:

- An invoice or request for reimbursement.
- Outputs of the work of external experts or service deliverables.
- Proof of payment

5. Equipment costs

Costs for equipment purchased, rented or leased by the beneficiary of the operation other than those covered by office and administrative costs shall be limited to the items listed in the eligibility rules section in the Programme manual.

To keep in mind:

Costs for the purchase of second-hand equipment could be eligible if the circumstances are right and the conditions are fulfilled (no other support from the EU funds, not over price on the market etc.)

Audit trail for Equipment costs

The following main documents must be available for control purposes:

Evidence of the procurement process in line with the legal status/organisational/regional/national procurement rules or the EU procurement rules depending on the amount on the contract.

Any changes must comply with public procurement rules and must be documented.

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Audit trail for Equipment costs

The following main documents must also be available for control purposes:

An invoice or a request for reimbursement.

Actual equipment purchased and evidence of equipment purchased, rented or leased.

Calculation scheme of depreciation, if applicable.

Proof of payment.

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Ineligible expenditure



There are a few cost items that will not be eligible in NPA 2021-2027:

- (a) fines, financial penalties and expenditure on legal disputes and litigation.
- (b) costs of gifts.
- (c) costs related to fluctuation of foreign exchange rate.
- (d) Recoverable VAT for partners funded under GBER Article 20 and 20a.

SCO – Simplified Cost Options

In order to minimize the administrative burden on the beneficiaries the below Simplified Cost Options (SCO's) provided in the EU regulations are made available:

- It is mandatory to use a 15 % flat rate for office and administration on staff costs.
- It is optional to use a 15 % flat rate for travel on staff costs.

SCO – Simplified Cost Options

There is also an option to report costs as staff cost + a 40 % flat rate for all other costs than staff. Only the staff cost will be verified by the controllers. This SCO will be available on a case-by-case basis.

Project applicants apply based on a draft budget detailing all cost categories. If relevant, this will be changed by the programme administration after project submission.

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SCO – Simplified Cost Options

For staff cost related to individuals who work on part-time assignments, the costs should be calculated as a fixed percentage of the gross employment cost, in line with a fixed percentage of time worked on the project per month, with no obligation to establish a separate working time registration system.

Audit trail for SCO's

Verifications of SCO's shall aim at verifying that the conditions for reimbursement of expenditure to the beneficiary have been met and that the established rates and amounts for SCO's have been correctly applied.

Underlying financial and procurement documents shall not be requested with a view to check the amounts incurred and paid by the beneficiary.

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Audit trail for SCO's

In case of flat rate financing, only the basis cost will be controlled and verified, i.e. staff costs.

Verification of lump sums will cover the achievement of deliverables as outlined in the Grant Letter. This is checked by the JS before a payment of the lump sum is made by the MA.

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Audit trail for SCO's

The following documents should be in place:

For flat rates: programme rules to verify that the flat rate takes into account: correct cost categories, correct percentage used, correct calculations and correct basis cost (not including cost items covered by flat rates).

For lump sums: evidence of lump sum deliverables as outlined in the Grant Letter; criteria for the payment of the lump sum (payment triggers); verification that other reported project expenditure is not already covered by the lump sum.

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Q & A



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THANK YOU!

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