

Interreg



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IPA South Adriatic



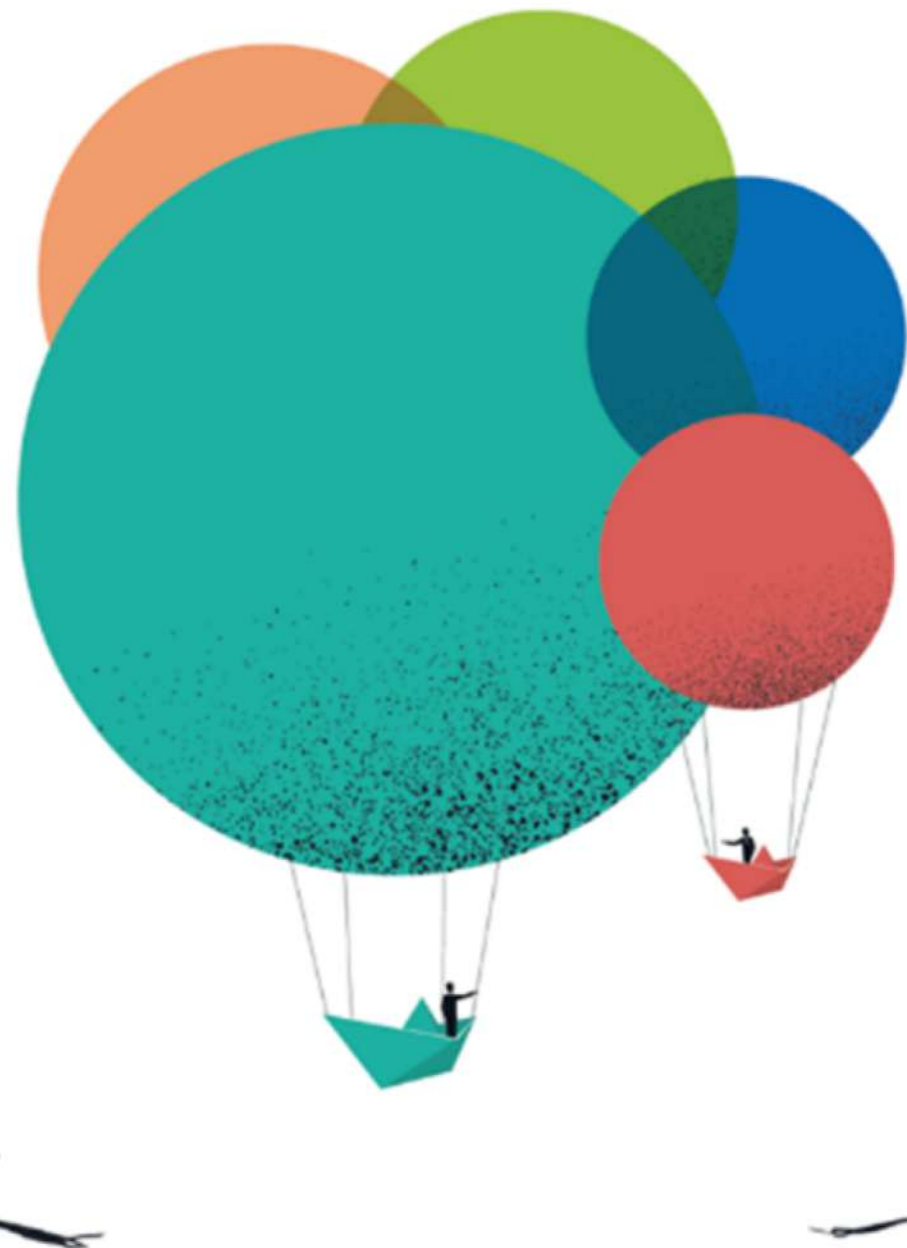
# Controllers training

13/03/2025

JS of the Interreg IPA South Adriatic



REGIONE  
PUGLIA



# COSTS ELIGIBILITY: the principles

- ❑ **Principles of economy:** the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price.
- ❑ **Principle of efficiency:** the best relationship between resources employed and results achieved.
- ❑ **Principle of effectiveness:** attainment of the specific objectives set and the achievement of the expected results.
- ❑ **Necessary for activities (AF) / reasonable**
- ❑ **Actually incurred and paid in eligible period/area/partner**

# WHAT COSTS ARE ELIGIBLE?

## **Verifiable and documented / simplified cost options:**

- **Real costs:** eligible costs actually incurred and paid;
- **SCOs:**
  - Lump Sums;
  - Flat-rate financing (Staff, O&A costs, Travel & Accommodation, 40%), defined as application of a percentage to one or more categories of costs;
  - Standard Scale Unit Cost (SSUC).

# WHAT COSTS ARE ELIGIBLE?

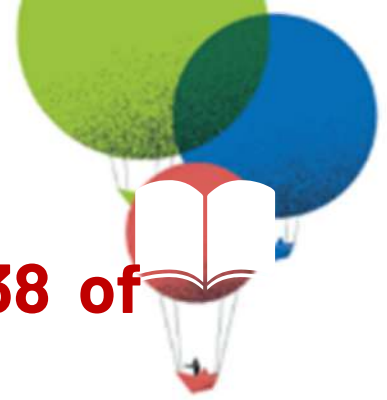


## Identified in separate or integrated accounts

- Beneficiaries may have a separate set of accounts specifically for the project, or may include the project's accounts in their own accounting system, ensuring that the project's records are still easily identifiable.
- The account system shall be run in accordance with the accounting rules that apply in the country concerned.



# COSTS NOT ELIGIBLE



## ❓ Ineligible costs (art. 64 Reg.UE 2021/1060 (CPR) and art. 38 of Reg. UE 2021/1059 (ETC)): main items

- Interest on debt and **value added tax (VAT)** if the total cost of the operation exceeds EUR 5.000.000 (including VAT), in case this is recoverable under national VAT legislation (**WARNING ON DOUBLE FINANCING IN CASE OF VAT REIMBURSEMENT!!!**)
- Purchase of land not built on and land built on in the amount exceeding 10 % of the total eligible expenditure for the operation (15% in case of derelict sites and for those formerly in industrial use which comprise buildings),
- fines, financial penalties and expenditure on legal disputes and litigation
- costs of gifts, tips,



# COSTS NOT ELIGIBLE

- costs related to fluctuation of foreign exchange rate
- splitting cost items among project partners (i.e. sharing of common costs);
- fees between beneficiaries of a same project for services, equipment, infrastructure and works carried out within the project;
- in kind contributions as defined in the Common Provisions Regulation etc.

❓ **Euro/exchange rate (month of submission to FLC)**

❓ **Complying with EU, programme and national rules**

# WHAT KIND OF COSTS?

## ETC eligibility EC (artt. 37-44 Reg. ETC)

- Staff
- Office and administration (O&A)
- Travel and accommodation (T&A)
- External experts and services (External)
- Equipment
- Infrastructure and works (Works)

# WHAT STAFF COSTS?

**WARNING on calculation methods: Real costs /flat/SSUC**

**Attention to contract nature: e.g. internal staff equivalent**

***REAL COST*** (art. 39 Reg. ETC; Programme Manual):

- ❑ Full time
- ❑ Part time fixed % / flexible no. of hrs.
- ❑ Hourly contract



# WHAT STAFF COSTS?

## **HOURLY RATE (art.55 CPR):**

- an **hourly rate** may be calculated by dividing the latest documented annual (monthly) gross employment costs by **1720 hours** (average monthly working time in accordance with applicable national rules) for persons working full time, or by a corresponding pro-rata of 1720 hours, for persons working part-time;
- where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12-month period.

# WHAT STAFF COSTS?

## ***FLAT RATE (art.55 CPR):***

- Up to 20% unless operation includes contracts above the EU thresholds for works or supply or service;
- The beneficiary has to demonstrate that it has at least one employee involved in the project. This is done through a self-declaration issued by the beneficiary's legal representative (or delegated person) certifying that at least one employee of the beneficiary institution has worked in the project in the concerned reporting period.
- The veracity of self-declarations above mentioned may be checked by any of the bodies entitled to perform controls and audits.

# AUDIT TRAIL/STAFF COSTS

Required documents	Real Cost					20% Flat Rate	SSUC
	Full Time	Part Time			Hourly rate set in the contract		
		Fixed %	Flexible n. hours (hourly rate on annual basis)	Flexible n. hours (hourly rate on monthly basis)			
Recruitment procedure documents of new staff involved in project activities (if relevant)	✓	✓	✓	✓	✓	X	X
Employment/work contract	✓	✓	✓	✓	✓	X	✓
Official assignment to the project	✓	✓	✓	✓	✓	X	✓
Gross Salary/Hourly Rate Sheet	✓	✓	✓	✓	✓	X	X
Pay-slips	✓	✓	✓	✓	✓	X	X
Periodic task report	✓	✓	X	X	X	X	X
Timesheet	X	X	✓	✓	✓	X	✓
Salary payment documents	✓	✓	✓	✓	✓	X	X
Payment documents concerning any other costs directly linked to salary	✓	✓	✓	✓	✓	X	X

# WHAT O&A COSTS? art. 40 ETC

- ❑ Flat rate (15% of eligible Staff)
- ❑ Exhaustive list in art. 40 ETC Regulation:
  - office rent
  - insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances)
  - utilities (e.g. electricity, heating, water)
  - office supplies
  - general accounting provided inside the project partner organisation
  - archives
  - maintenance, cleaning and repairs
  - security

# WHAT O&A COSTS?

- IT system support of an administrative nature, linked to the implementation of the operation
- communication (e.g. telephone, fax, internet, postal services, business cards)
- bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened
- charges for transnational financial transactions

**WARNING: Do not include in other budget lines!**

# WHAT T&A COSTS? art. 41 ETC

- ❑ Reimbursed solely through a 15% flat rate percentage of eligible direct staff costs.
- ❑ Exception in case of the 40% flat rate for eligible direct costs other than direct staff costs:
  - travel costs (e.g. tickets)
  - meals costs
  - accommodation costs
  - visa costs
  - daily allowances

**Attention: Do not include external experts costs!**

# WHAT EXTERNAL COSTS? art. 42 ETC

- All specific expertise/services needed for projects: e.g. studies or surveys, training, translations, IT systems and website development, modifications and updates, promotion, communication, publicity or information; financial management; services related to the organization and implementation of events or meetings, travel and accommodation for external experts, speakers, chairpersons of meetings, service providers and stakeholders, associated partners; etc.
- External expertise and service costs shall be reimbursed on a real costs basis, unless the 40% Flat rate is applied.
- No sub-contracting among project partners is allowed.

**WARNING on correct application of Public procurement rules**

# AUDIT TRAIL EXTERNAL COSTS



- ❓ Evidence of the selection procedure (if applicable), in line with EU, national and Programme procurement rules.
- ❓ Contract or written agreement laying down the services with a clear reference to the project and the Programme, indicating also, where applicable, information required by National Laws on transparency and and traceability of financial flows.
- ❓ Invoice or request for reimbursement providing all relevant information in line with the applicable rules, indicating also, if applicable, information required by National Laws on transparency and traceability of financial flows.
- ❓ A detailed description of the services provided and fulfillment of the communication/visibility rules.
- ❓ Deliverables produced or, where applicable, documentation of the delivery .
- ❓ Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency and traceability of financial flows.





# WHAT EQUIPMENT COSTS? art. 43 ETC

- ❓ **General office equipment** purchased (depreciation method), rented or leased (rental or leasing costs for the respective time period, excluding insurance, overheads and interest costs linked to the contract).
- ❓ **Thematic equipment** which is part of or fully represents an investment item (full cost): the equipment should be solely used for the project purposes during the project life the purpose and ownership of the equipment cannot be changed for at least 5 years from the last payment to the lead partner.

**WARNING on correct application of Public procurement rules**

# AUDIT TRAIL EQUIPMENT COSTS

- ❖ Evidence of the selection procedure (if applicable), in line with EU, national and Programme procurement rules.
- ❖ Contract or written agreement laying down the services and/or supplies to be provided with a clear reference to the project and the Programme, indicating also, where applicable, information required by National Laws on transparency and traceability of financial flows.
- ❖ Invoice (or a supporting document having equivalent probative value to invoices) providing all relevant information carried out in line with the contents of the contract, bearing references to the project and the Programme, and indicating also, where applicable, information required by National Laws on transparency and traceability of financial flow;
- ❖ In case of assets subject to depreciation, a calculation scheme of depreciation;
- ❖ Photo documentation or any other means required to prove the existence and installation of the equipment and the fulfillment of the communication/visibility rules;
- ❖ Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency traceability of financial flows.



# WHAT WORKS COSTS? art. 44 ECT

- ❑ Infrastructure only if necessary in the scope of and to achieve the project objectives.
- ❑ Durability requirements, including ownership and maintenance, as provided for in Article 65 of CPR, apply to infrastructures realised within the project.
- ❑ Costs for infrastructure and works shall be limited to the following elements: • (a) purchase of land in accordance with point (b) of Article 64(1) of the CPR; • (b) building permits; • (c) building material; • (d) labour; and • (e) specialised interventions (such as soil remediation, mine-clearing).
- ❑ Compliance with publicity/information requirements in line with the provisions set out in the Programme Manual.
- ❑ Compliance with all compulsory requirements set by EU and national legislation
- ❑ The part realized by the IPA project must be clearly and unequivocally identifiable.

## **WARNING on correct application of Public procurement rules**

# AUDIT TRAIL WORKS COSTS



- ❑ Legal documents specifying the ownership or long-term arrangement for the land and/or buildings where the works will be carried out;
- ❑ Permissions/licenses for the execution of the works, issued by the relevant authorities;
- ❑ Evidence of the appropriate selection procedure, in line with EU, national or Programme procurement rules;
- ❑ Contract with a clear reference to the project and the Programme, indicating also, if applicable, information required by National Laws on transparency/traceability of financial flows.
- ❑ Invoice providing all relevant information to the project and the Programme and a detailed description of the infrastructures/works carried out in line with the contents of the contract, indicating also, if applicable, information required by National Laws on transparency/traceability of financial flows;
- ❑ Proof of payment (e.g. bank transfer), indicating also, if applicable, information required by National Laws on transparency/traceability of financial flows;
- ❑ Photo documentation or any other means required to prove the existence of the infrastructure and the fulfillment of the communication/visibility rules;
- ❑ Certificate of regular execution/final test issued accordingly to the applicable legislation.



# Risk based management verifications in 2021 2027



In compliance with articles 62 and 74 of CPR, in the programming period 2021/2027, the control activity must be based on a Risk based system.

To reach the goal of an effective, efficient and risk-based management verification (**RBMV**) system the Programme has structured a methodology based on the typologies of the call adopted by the Programme and for this reason two different RBMV procedures are developed:

- **RBMV system for Standard and strategic projects;**
- **RBMV system for SSPs fully managed through programme simplified cost options (SCOs)**



# Risk based management verifications in 2021 2027

Management verifications	Administrative verifications	On the spot verifications
<b>Option n.1 – Flat 40%</b>	<ul style="list-style-type: none"> <li>100% Staff costs of first and last R, where staff costs occur. Furthermore, staff costs of a new staff member included for the first time in the R</li> </ul>	<ul style="list-style-type: none"> <li>No OTS to be planned, unless there are risk of double-funding, suspicions of fraud or mismanagement of EU funds!</li> </ul>
<b>Option n.2 – Staff costs 20%</b>	<p>100% of:</p> <ol style="list-style-type: none"> <li>Procurement for <u>contracting</u> ≥ EUR 10.000,00 (excl. VAT);</li> <li>VAT (x projects with total costs ≥ EUR 5m, including VAT or in case of State aid).</li> <li>In case 1 &amp; 2 are not applicable, random selection of items for 40% of the whole amount claimed in Equipment BL, 40% of the whole amount claimed in Infrastructure and works BL, and 40% of the whole amount claimed in External Expert and Services BL.</li> <li>Additional 1 or more items from the <u>LoE</u> verified from the remaining reported real costs and 20% of value (of the remaining reported real costs), based on a motivated professional judgement</li> </ol> <ul style="list-style-type: none"> <li>If an error is detected in any BL, extent the sample to at least one more item with common features, if available. If after the extension, no common features are determined and the errors persist, the sample can be extended to a 100% verification of the reported costs in the affected BL, if not, further extension is not obligatory.</li> </ul>	<ul style="list-style-type: none"> <li>To be performed before the issuing of final Certificate, if one or more of the following criteria are met: <ol style="list-style-type: none"> <li>existence of equipment ≥ EUR 10.000 VAT excluded);</li> <li>existence of Infrastructure and works of any value;</li> <li>FLC professional judgement.</li> </ol> </li> </ul> <p>OTS to both Equipment and Infrastructure and works BL (possibly described as Investments in <u>Jems</u>), if applicable.</p> <p><u>Annex 4 - Equipment and infrastructure on-the-spot visit</u>, filled in, printed, signed/ stamped, scanned and uploaded onto <u>Jems</u>.</p>

# Risk based management verifications in 2021 2027

<b>Option n.3 – Staff costs real</b>	<p>100% of:</p> <ol style="list-style-type: none"> <li>1. Staff costs of the first two Rs where staff costs occur. Furthermore, staff costs of a new staff member included for the first time in the R, or if significant changes in the staff costs occur (&gt; 20%) in the time allocation of staff members (<u>if fixed percentage method is used</u>) or if there are changes in the staff costs methodology (<u>e.g. a change from fixed percentage method to full time</u>).</li> <li>2. Procurement for contracting amounts ≥ EUR 10.000,00 (excl. VAT);</li> <li>3. VAT (for projects with total costs ≥ EUR 5m, including VAT or in case of State aid).</li> <li>4. <b>In case 1, 2 and 3 are not applicable, random selection of items representing 40% of the whole amount claimed in Equipment BL, 40% of the whole amount claimed in Infrastructure and works BL and 40% of the whole amount claimed in External Expert and Services BL.</b></li> <li>5. Additional 1 or more items from <u>LoE</u> to be verified from the remaining reported real costs and 20% of value (of the remaining reported real costs), based on a motivated professional judgement.</li> </ol> <ul style="list-style-type: none"> <li>• If the initial sample shows not sufficient quality of the information provided, the sample size should be extended, to determine whether errors have a common feature (e.g., type of transaction, location, period, product/output, etc.) or they are simply random errors.</li> </ul>	<ul style="list-style-type: none"> <li>• To be performed before the issuing of final Certificate, if one or more of the following criteria are met:</li> <li>• existence of equipment ≥ EUR 10.000 VAT excluded;</li> <li>• existence of Infrastructure and works of any value;</li> <li>• FLC professional judgement.</li> </ul> <p>OTS to both Equipment and Infrastructure and works BL (possibly described as Investments in <u>Jems</u>), if applicable.</p> <p><u>Annex 4 - Equipment and infrastructure on-the-spot visit</u>, filled in, printed, signed/ stamped, scanned and uploaded onto <u>Jems</u></p>
<b>SMALL SCALE PROJECTS</b>	<ul style="list-style-type: none"> <li>• 100%</li> </ul>	<ul style="list-style-type: none"> <li>• At least 1 per partner</li> </ul>

# CONTROL DOCUMENTS

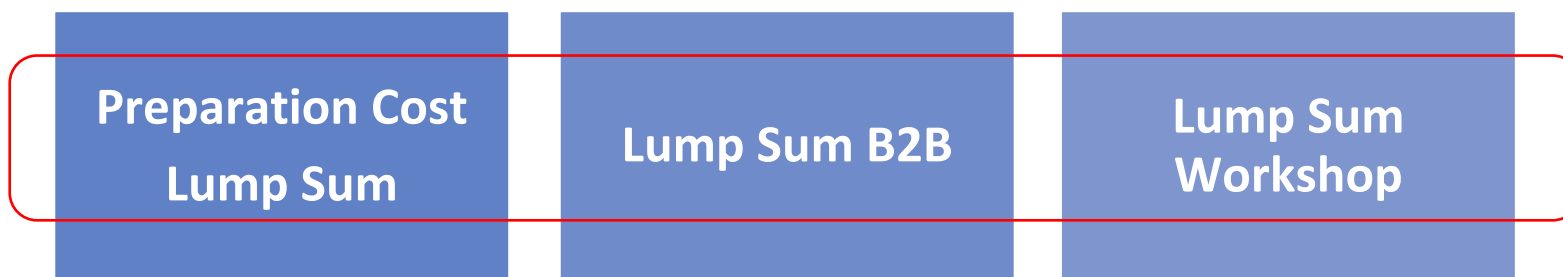


- ❓ **(Annex 1) Control check list**, i.e. the document in which the Controller gives evidence of the verifications performed.
- ❓ **(Annex 2) Certificate of expenditure**, i.e. the document certifying the compliance of the expenditure verified by the Controller with the principles of eligibility, legality and relevance as listed above in this chapter. The certificate of expenditure must be signed by the authorised Controller. In eMS, annexes 1 and 2 are an integral part of the CONTROLLER certificate automatically generated by the system.
- ❓ **(Annex 3) Control report**, i.e. the document in which the Controller describes the methodology used for the verifications, explanation of the nature of the documents tested, of national and EU rules checked, etc. If applicable, the ineligible expenditure found during the verifications also needs to be described, including the reasons leading to this judgement.
- ❓ **(Annex 4) Equipment and infrastructure on-the-spot visit check list.**

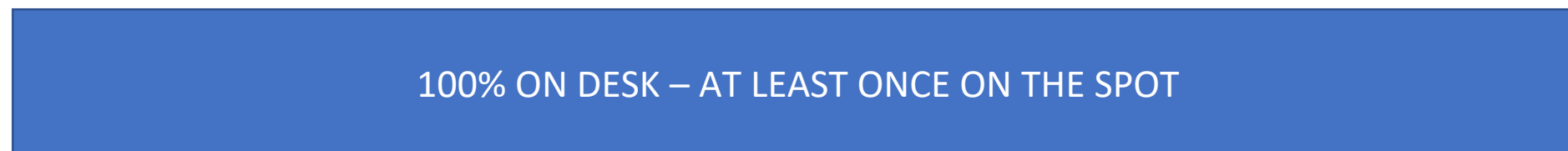
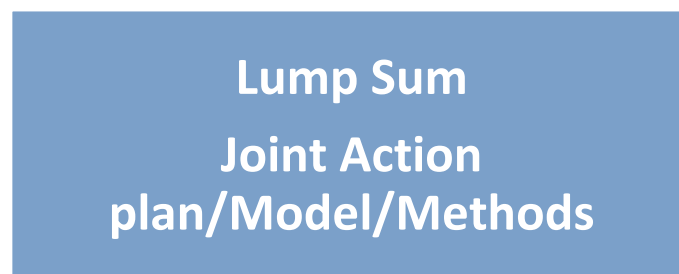




# SMALL SCALE PROJECTS



2014-2020



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# Thanks for your attention

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