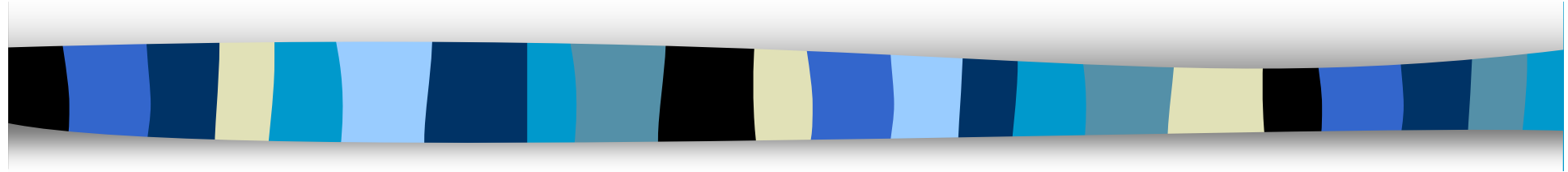


ASTRA

Financial Issues Day

28th October 2005



- Financial management of the Interreg III B project
- Rules, guidelines, regulations, reporting and auditing



The Interreg Initiatives

- Economic and social cohesion
- Balanced and sustainable development of the European territory
- Territorial integration with the candidate and other neighbouring countries



State of III B Programme Implementation

- All projects must be finalized by the end of 2007
- 100 projects were approved by June 2005
- 12 finalized projects, 6 paid out
- 23 projects end by the year 2006

- Launch of the 9th Call for proposals depends on funding availability after 8th Call decisions

1. INTRODUCTION TO THE FINANCIAL MANAGEMENT



Guidelines and Regulations
of Interreg Interreg III B
ERDF funds



ASTRA Financial Management

- <http://www.bsrinterreg.net>
- Interreg III guidelines
- Programme manual 7th application round
- The practical guide for filling in the application form
- Eligibility rules: Commission regulations (EC) no 1685/2000 + 448/2004



ASTRA Financial Management

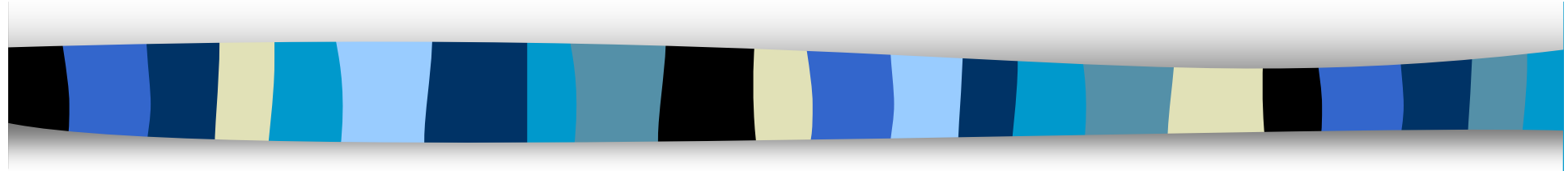
- Management and control systems, financial corrections No 438/2000 + No 448/2001, No 2355/2002
- Irregularities No 1681/1994
- Information and publicity measure No 1159/2000
- These regulations and guidelines are binding all project actors, even the subcontractors



ASTRA Financial Management

- LP financial officer
henna.koskiniemi@gtk.fi
- Tel. +358 20 550 2381
- Each partner names their responsible financial officer
- Reports must be confirmed by a financial officer
- All financial questions are welcome
- JS Rostock is there for us!

How funds and information flow?



- Roles of LP, PPs, JS, SC,MA
- Payments
- Co-financing



How funds and information flow

- What is the place of PPs?
- What is the role of LP?
- How much money is allocated to the projects?
- Where does the programme get the money from?
- What should be done to get the money?
- What is an ERDF co-financing rate?



How funds and information flow

- PPs activity and financial reports to LP
- LP reports all audited activities and expenditure to JS
- JS is the Managing and Paying Authority
- Money is channeled through the Investitionsbank Schleswig-Holstein
- Steering Committee selects the projects and the funding decisions
- National sub-committees, municipalities & regions
- Monitoring Committee supervises the Interreg

11/2/2005 III B Programme

How funds and information flow

- Interreg III B total budget ca. 122,7 Mio € + 5,34 Mio. Norway
- III B has still ca. 17 Mio. € left!!
- Interreg III A total budget ca. 18,3 Mio. Euros
- Interreg III C North Zone total budget ca. 32,1 Mio €





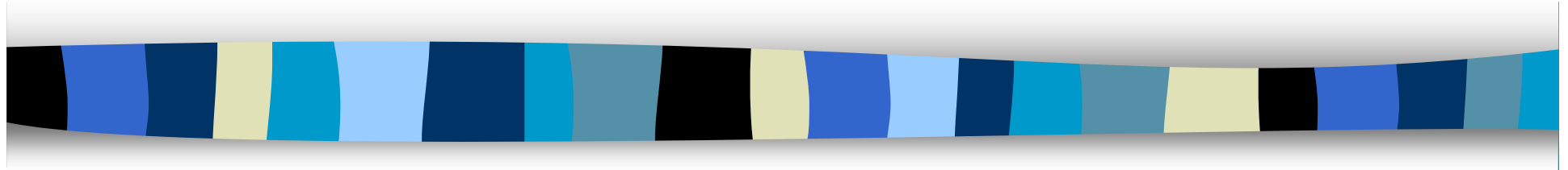
How funds and information flow

- Co-financing rate = share in % of ERDF funds in the total eligible budget paid out to a project
- Ps are entitled to receive up to 50 % ERDF
- Partners from objective 1-areas entitled to receive up to 75 % ERDF
- Steering Committee decides

The role of JS

- ERDF funds are transferred to the Paying Authority, IB S-H
- IB S-H pays ERDF money to projects' LPs approved by JS
- JS requests payments from Commission
- JS makes the financial monitoring
- National co-financing is on the national regional or local level
- Co-financing rate depends on the area

The Interreg III B Eligibility Rules



Regulations

Eligible costs

Audit Guidelines



The Interreg III B Eligibility Rules

- All expenditure must be actually paid out to be eligible
- Project's costs must be in a separate bookkeeping
- All costs must be recorded into the project bookkeeping, meaning also the indirect employment costs and overheads
- Only eligible and audited costs can be reported to JS Rostock



The Interreg III B Eligibility Rules

- Costs related to the reporting period
- Purchase of durable equipment if planned
- Other costs
- Small scale investments
- All changes must be explained in the plan in activity report
- Minor changes in the activities do not need a permission
- The costs of depreciation of real estate or equipment (organization's depreciation plan)



Interreg III B Eligible Costs

- *Personnel costs:*
- The salaries according to the recorded productive working hours (time sheets)
- National indirect employee costs including holiday payments and the holiday time salaries and the sickness and other costs
- Overheads (rents, electricity, water, cleaning, administrative work, it-services, library and other common services, training, capital depreciation)



Interreg III B Eligible Costs

- Travel costs and car rental related to the project including explanations
- Financial and other charges, legal expenses (incl. Audit costs, bank account costs)
- Purchase of real estate, second-hand equipment or land
- VAT and other taxes
- Leasing
- Costs for managing and implementing structural funds



Interreg III B Eligible Costs

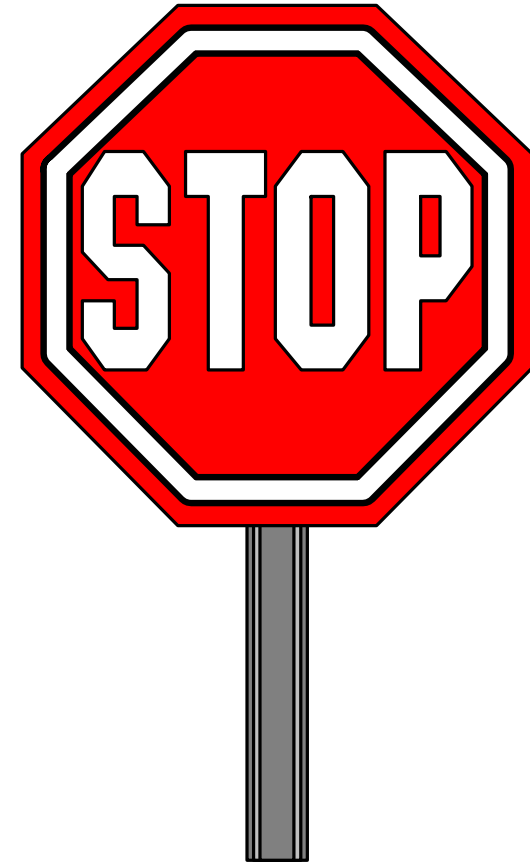
- Planned costs which are budgeted
- Costs must be verified by an independent auditor
- Project costs must be linked to activities carried out
- VAT is eligible, if it is non-recoverable
- Subcontracting

Budget Reallocation

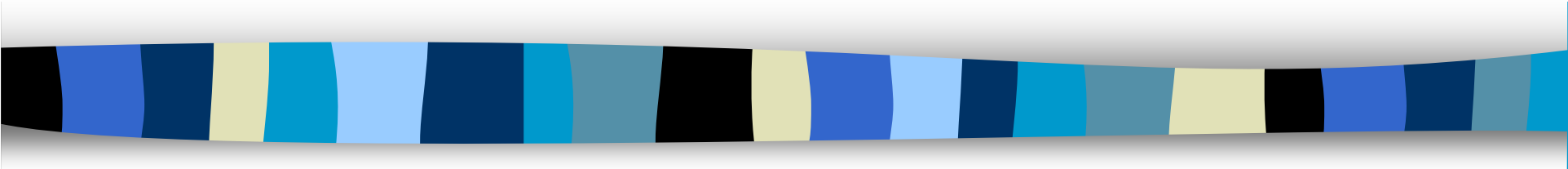
- No more money than the overall budget is available
- A reallocation can be applied for once in the project's lifetime
- LP applies for the changes (forms)
- Relevant in ASTRA?
- Between the BLs
- Between the partners
- Recommended to apply for within the reporting period
- Reallocation in 2nd period in 2006
- JS decides changes up to 10 %
- >10 % SC

Interreg III B Rules

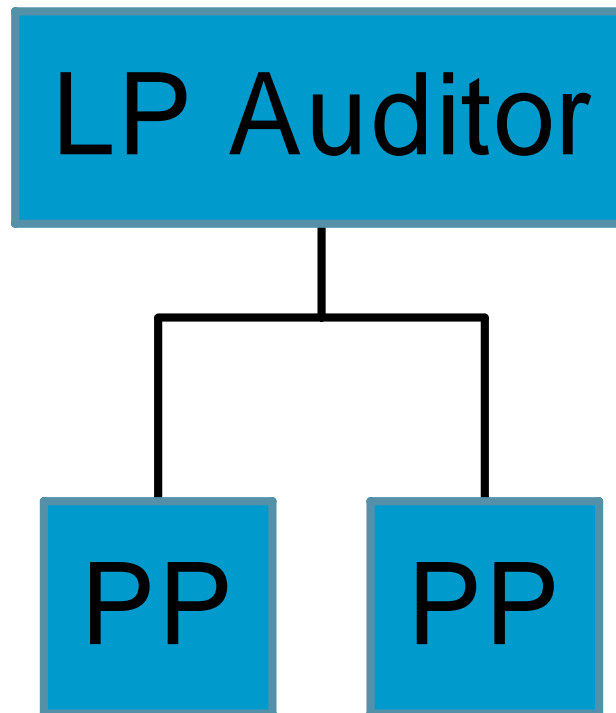
- A public procurement contracts and evidence to the done procurement if any (subcontractors, durable equipment)
- National and internal rules for public procurement and responsibilities
- Procurement contract compulsory



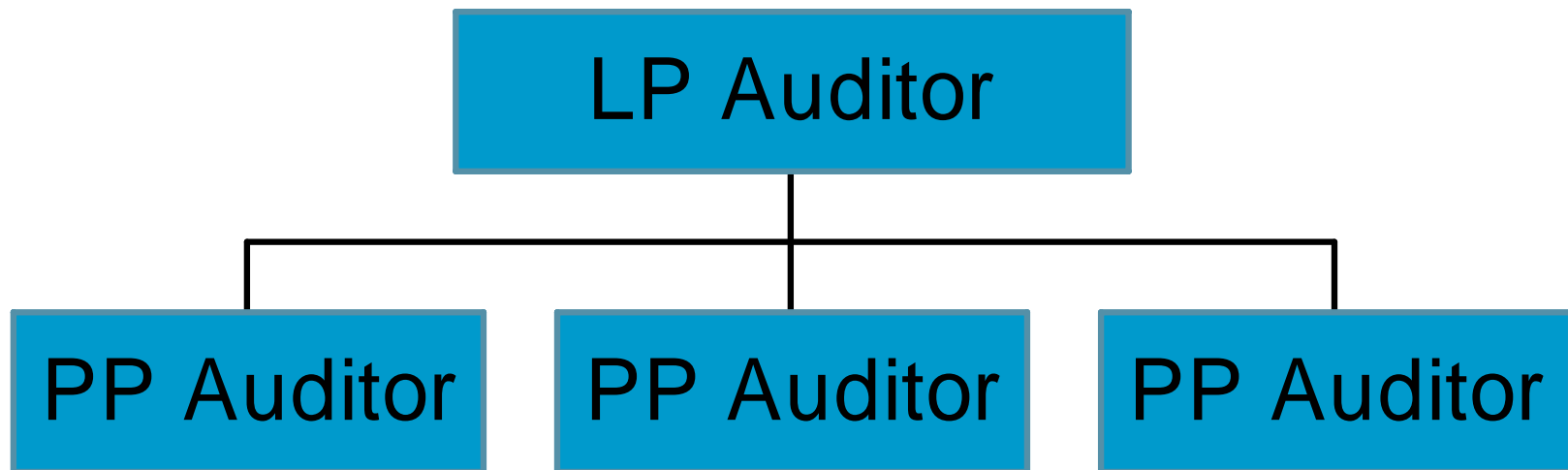
Auditing Requirements

- 
- Auditing models
 - First Level Financial Control
 - Second Level Control
 - Confirmation of Project Auditing

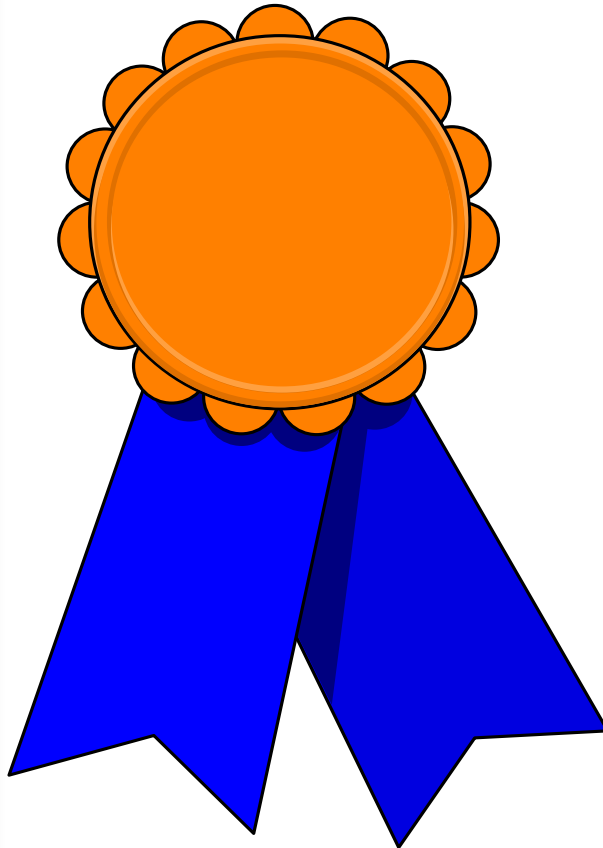
A Centralised Auditing



A Decentralised Auditing



First Level Control in the new EU member states



- The Polish Ministry of Economy
- Latvian State Regional Development Agency
- Lithuanian Ministry of the Interior of the Republic of Lithuania
- Estonian Regional Development Department



First Level Control in ASTRA project

- Budgeted to the LP
- New EU-member states must follow the new set rules
- PPs internal auditors can be used
- LP pays the audit costs for Latvia and partners agreed to organize an audit themselves
- Costs invoiced
- LP reports the audit costs in financial report



Second Level Control

- 5 % of projects checked
- For the programming period 2000-2006 there are still checks to make
- 5 % of the whole consortium is controlled
- Projects chosen on certain criteria



Audit Requirements

- The cover sheet to the report signed
- Estonian, Polish, Lithuanian and Latvian partners make the progress report with the help of LP and Interreg III B national authorities
- Estonian, Polish, Lithuanian and Latvian partners send an auditor's confirmation to the LP
- Latvia's audit fee 2 % of total costs, other new partner countries zero



Auditor's Requirements

- Copies of all invoices and receipts
- A separate bookkeeping of the project
- A nominal ledger of the project
- A profit and loss account of the project
- There must be a clear explanation in the invoices / receipts to show their connection to the project
- A list of participants, time, place and reason attached to the meetings' invoices



Auditor's Requirements

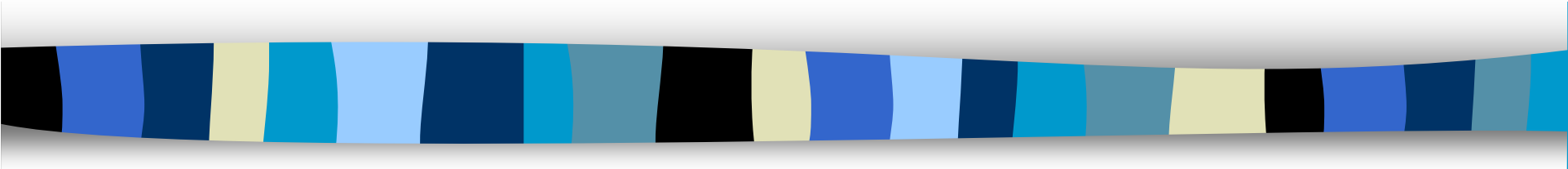
- The memos of meetings
- Subsidy Contract
- Partnership Agreement
- Co-financing statements and National funding Confirmation
- Application Form (the newest!)
- Project Budget by partners and LP
- Informative emails
- Internal approval regulations



Auditor's role and tasks

- Declares the proper use of funds and eligibility of costs
- Validates the correctness of the invoices
- Checks all the costs are paid and recorded in the bookkeeping of project
- Confirms the disbursement of the national pro-rata co-financing
- Checks the chosen exchange rate used
- Verifies which costs belong to the project and the reporting period

PROJECT REPORTING

- 
- What forms should be used?
 - What is the reporting period?
 - How to fill in the report?
 - Is additional documentation needed?
 - When is the report due?



Reporting Requirements

- Time sheets from each person from the months worked during the reporting period and signatures
- Travels are reported separately per person
- Personnel costs per hourly rate
- Overall costs table filled in
- Cover sheet
- All forms signed and stamped
- **Copies of the receipts and invoices from the whole reporting period**



Reporting Requirements for PPs

Send with the 6 months report:

- A working contract to each person from the reporting period
- Paid salaries, social charges and other payments listed per person
- A calculation proving overhead percent = how is the overhead percent formed and calculated and recorded?
- Additional required documentation if asked must be delivered

Reporting to LP

- Man months reported monthly
- Estimated costs between the reporting period
- 6 months report costs must be paid on 31st December and 30th June
- Use the given reporting sheets
- Check the costs before sending
- Send one original and one copy of the financial and the activity report by mail to Henna Koskiniemi
- Send the reports by email to philipp.schmidt-thome@gtk.fi, michael.staudt@gtk.fi and henna.koskiniemi@gtk.fi



Reporting to LP

- **You are not allowed to change your budget between the BLs**
- **All changes must be discussed with PPs and financial managers together**
- **Please follow the Programme Manual for reporting the costs under the correct BLs**
- **Please divide the costs to WPs**
- **Please send a PP Confirmation for Auditing with the 1st Report**
- **Please send your bank account info**
- **Make sure you are in time with the report!**



Internal rules for ASTRA

- Centralized auditing mainly used
- Partly decentralized auditing
- In ASTRA there is no cost sharing
- PPs must get a written permission from LP to change their actual plan
- The conversion rate used in ASTRA is the monthly average exchange rate found at <http://www.riksbank.se> or other central bank

Internal rules for ASTRA



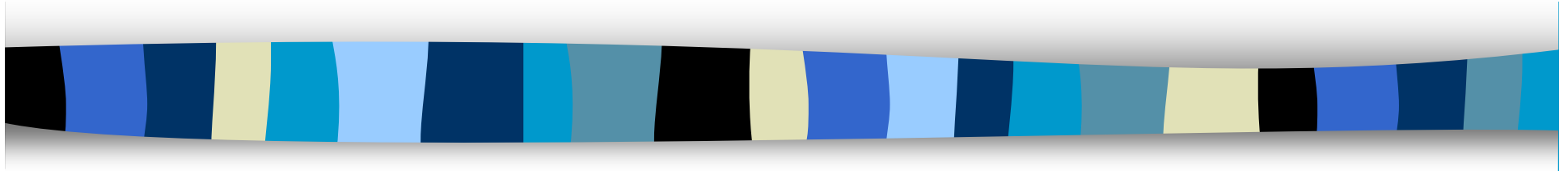
- Free Communication - Emailing
- All project issues are shared
- Cost follow-up every three months
- WP leaders responsible for informing the LP



Reporting periods and deadlines

- 1st Report submission deadline 31st January 2006
- 2nd Report submission deadline is 31st July 2006
- The deadlines are fixed each year
- JS Rostock 1st March 2006
- JS Rostock 1st September 2006
- **Notify: PP needs a written permission to deliver the report later**

Common examples for bad reporting





Common flaws in reporting

- Expenditures not in a separate accounting system
- Non-eligible costs reported
- Lack of knowledge
- Revenues not deducted
- No public tender made
- Personnel costs not recorded and based on actual expenditure



Common flaws in reporting

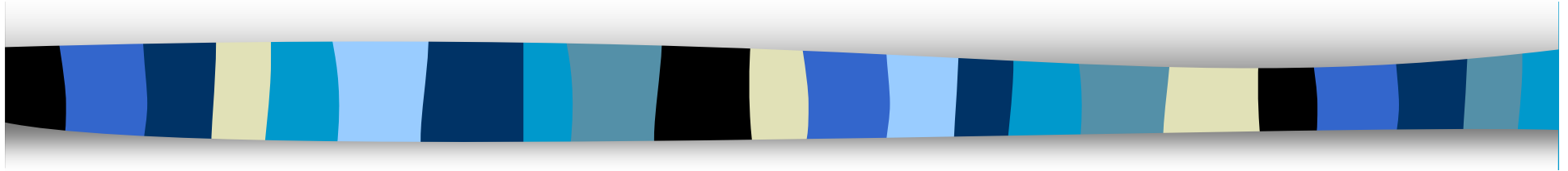
- Overhead rate includes non-eligible costs
- Overhead percentage is not proven
- National legislation on business trips is not observed
- Reporting forms not signed and stamped
- The cover sheet has different figures than the overall costs table



Common flaws in reporting

- Documents missing
- Documents poorly filled in
- No connection from report to bookkeeping
- Not read the Guidelines and Manual nor Regulations
- Not respecting the deadlines

The next steps





In November

- The reporting forms are sent electronically to the PPs
- A check list for reporting
- New member states organize the audit
- PPs read the Guidelines and material given
- PPs visit the Interreg III B -webpage
- Project work continues
- Issues are shared



THE END

**WISHING YOU ALL SUCCESSFUL
PROJECT!**

**THANK YOU FOR
YOUR ATTENTION!**

11/2/2005

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