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## Second Meeting of FLC Network of IP Valencia Zone (South Europe)

4 March 2010 | Madrid, Spain



INTERACT is co-financed by the European Regional Development Fund (ERDF) | European Territorial Cooperation

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### Why do we organise the FLC Network?

- o issues related to FLC were the most demanded topics in our needs survey
- o FLC is the most important level in the Control and Audit System - regular meetings / discussions needed
- o Mixture of content / forum discussions and practical exercises
- o To keep the network active - e-mail updates

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### What happened in 2009....

- First Meeting of IP Valencia Zone, June 2009 in Marseille (overview of FLC systems of the South, Case Studies on public procurement, staff and administrative costs)
- FLC Network Updates 1 - 3
- Other IP zones:
  - Feb. 2009: 2nd meeting of FLC Network of IP Vienna

### And in 2010....

- FLC Network Update 4
- Second Meeting of FLC Network of IP Valencia Zone (state of the art on FLC, on-the-spot verifications, future)
- Meeting for the Spanish First Level Controllers
- Other IP zones:
  - March 2010: 3rd meeting of FLC Network of IP Vienna (control procedures, Case Study on the control of overheads, on-the-spot verifications)

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AGENDA


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**Network of First Level Controllers of IP Valencia zone**  
Thursday, 4 March 2010, 9.00 – 18.00

9.00 - 10.30	<b>Welcome speech, review on the activity of the Network</b>
10.30 – 11.00	Coffee break
11.00 - 13.30	<b>Country, programme presentations, discussions Article 13 verification systems and practice of administrative and on the spot checks</b>
13.30 – 14.30	Lunch break
14.30 - 15.00	<b>Future of the ETC – management, control and audit systems</b>
15.00 – 17.30	<b>Case study exercises</b>
18.00	End of the Seminar

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EXAMPLE

In one ERDF project, the declared expenditure consisted **only of purchase of land**. However, according to the ERDF eligibility rules, **land purchase may not represent more than 10 % of the total eligible expenditure**. In spite of this, the Managing Authority had **approved the project for reimbursement**. The cost claim of **25 million euro** is ineligible for Structural Funds co-financing.

**Source:** Annual Reports of the Court of Auditors of the European Communities concerning the financial year 2008

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**Amendment of Regulation (EC) No 1828/2006 by Commission Regulation (EC) No 846/2009 of 1 September 2009**

This new regulation constitutes an official legal basis for the First Level Control in the European Territorial Cooperation programmes amending Article 13 of the of Regulation (EC) No 1828/2006

Verifications to be carried out by the managing authority ...

↓

Regulation (EC) 846/2009 of 1 September 2009

...or by the relevant controllers designated by Member States  
 in the case of the European territorial cooperation objective programmes pursuant to Article 16 of Regulation (EC) No 1080/2006

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Amendment of Regulation (EC) No 1828/2006 by Commission Regulation (EC) No 846/2009 of 1 September 2009

Now it is very clear that in the case of European Territorial Cooperation Programmes **Controllers** are responsible (among others) for:

- Verifications;
- on-the-spot verifications;
- responsibilities in view of establishing and recording sampling methods;
- written standards and procedures for the verifications;
- keeping records for each verification and the measures to be taken in respect of irregularities detected.

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Amendment of Regulation (EC) No 1828/2006 by Commission Regulation (EC) No 846/2009 of 1 September 2009

**Article 50**

**Expenditure by public authorities** relating to the **implementation of operations**...

...(1 b) the costs of the provision of services relating to the **preparation** and **implementation of an operation** provided by a **public authority** which is itself the beneficiary and which is executing an operation for its own account without recourse to outside service-providers.

**USED TO BE:** 3. ... shall be eligible if they are additional costs and relate either to expenditure actually and directly paid for the co-financed operation or to in-kind contributions, as referred to in Article 51.

↓ Regulation (EC) 846/2009 of 1 September 2009

3. The costs referred to in point (b) of paragraph 1 shall be **eligible** if they do **not** arise from **statutory responsibilities** of the public authority or its **day-to-day management, monitoring and control tasks** and relate either to **expenditure actually and directly paid** for the co-financed operation **or to in-kind contributions**, as referred to in Article 51.

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EXAMPLE

In another ERDF project, the scope was to develop an IT system. The contracting authority was obliged to attribute a **service contract exceeding the value of 236 000** euro using the proper tendering procedures. The regional authorities, who were the final beneficiary of this project, **contracted directly a company without any tendering procedure** making the **1,8 million euro** of expenditure declared for this project ineligible.

**Source:** Annual Reports of the Court of Auditors of the European Communities concerning the financial year 2008

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### Proposed amendment of Regulation 1083/2006 (COD/2009/0107)

#### Current developments

- dates back to July 2009 (first version)
- some new important elements introduced in November 2009 (decommitment)
- discussed by EP's Regi Commission in December 2009 and January 2010
- draft of the report prepared by the Rapporteur Mr Evgeni Kirilov

#### Forecasts

- 18/03/2010 EP: report scheduled for adoption in committee, 1st or single reading
- 19/04/2010 EP plenary sitting (indicative date)

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### Proposed amendment of Regulation 1083/2006 (COD/2009/0107)

#### Article 93 - Amendment of the decommitment rule

- 2007 target will be divided and distributed among the next decommitment targets.
- For the n+3 programmes it means that at the end of 2013 there will be an accumulation of 2010 and 2011 targets (n+3 binding only until 2010) + 1/3 of the 2007 allocation.
- There might be a peak caused by programmes striving to verify and certify as much as possible

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### Proposed amendment of Regulation 1083/2006 (COD/2009/0107)

#### Article 55 - 'revenue-generating' projects

- Obligation to monitor revenue for ERDF / Cohesion Fund operations of the total cost over 1 000 000 EUR (Council Regulation (EC)1341/2008)
- related to net revenues and this type of revenues will be deducted from the expenditure declared to the Commission in case it is not possible to estimate revenues beforehand.
- the duration of the provisions on monitoring revenue is now limited to the date of submission of the closure documents of a programme - project revenues will not be monitored after submission of programme closure documents

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### Proposed amendment of Regulation 1083/2006 (COD/2009/0107)

- In case of OP revision, “evaluation” may be replaced by a simple “analysis” containing a set of minimum information (reasons + expected impact of the revision);
- In case of OP revision, if a new category of expenditure is added, the eligibility of new expenditure will apply from the submission of the revised OP.
- Modified art. 57 - Substantial modification or change in the nature of ownership or stop of productive activity (except for bankruptcy) within 5 years of project closure will result in recovery only in case of investment in infrastructure or productive investment financed by ERDF.
- Amounts corrected by MS on operations subject to partial closure can be used on other operations. If corrections are made by EC/ECA/OLAF, the amounts corrected would remain lost for the programme.

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### Proposed amendment of Regulation 1083/2006 (COD/2009/0107)

These are only major changes which might concern your work.  
It is only a proposal and it is undergoing the legislative procedure in order to be valid.

More information here:

<http://www.europarl.europa.eu/oeil/file.jsp?id=5789232&language=en&mailer=true>

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### EXAMPLE

Expenditure needs to be related to the co-financed operations in order to be eligible. In one ESF project, the salary of an administrator, several suppliers' invoices and some equipment purchases were declared to the project although this expenditure was related also to the beneficiary's other activities. In addition, for equipment purchases only depreciation is eligible, but the whole purchase price was declared. The resulting over declaration was 88 705 euro or 13,5 %.

Source: Annual Reports of the Court of Auditors of the European Communities concerning the financial year 2008

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### Communication from Commissioners Samecki and Špidla

- the system of control and audit has been considerably clarified and strengthened (according to EC) for the period 2007-2013 thanks to:
  - the compliance assessment procedure
  - the audit strategy approval process before any interim payments are reimbursed.
- the errors already reported will continue to affect expenditure declared by Member States up to 2010 for 2000-2006 programmes
- the simplification measures implemented (Regulation (EC) 397/2009 - expansion of the use of flat rates, lump sums and standard scales of units costs for ESF and ERDF and Regulation (EC) 846/2009 - simplifications in eligibility financial engineering issues and simplification of financial reporting tables and procedures) allowing simpler audit methods to be used for small populations and revised and simplified reporting of irregularities) will lighten the administrative burden

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### The Annual Report of the Court of Auditors

- "in many of the areas where the Court continues to report a high level of error, the errors are a consequence of too complex rules and regulations. Simplification therefore, remains a priority" - Court of Auditors
- the error rate for the Cohesion projects (interim and final payments in respect of the 2000 to 2006 period - but no distinction for funds) amounts to 11%, the same as the one estimated for the financial year 2007, and it is slightly lower than the rate estimated for the financial year 2006 (12%)
- Main errors
  - ineligibility of the projects or beneficiaries
  - the breaches of public procurement rules
  - the inclusion of ineligible costs
  - the weaknesses in the audit trail
  - non-respect of publicity rules

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### EXAMPLE

One ERDF project supported the construction of three equalisation towers on a water pipeline distributing water from a local dam. It was implemented during 2000-2004. The pipeline was never used because the dam was never filled with water. The Managing Authority knew that the project could not attain the specific objectives set and that it was thus ineligible. However, it decided to include it into the Operational Programme to replace another project rejected by the Commission. Amount of expenditure declared to the Commission for this project was 5,7 million euro.

Source: Annual Reports of the Court of Auditors of the European Communities concerning the financial year 2008

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### Simplification Group Meeting - results

- discussion on the simplification methods during 1<sup>st</sup> FLC Network in Marseille
- Inclusion of the comments during the COCOF meeting on simplification
- Meeting of the INTERACT Labgroup on Simplified costs options
- Publication of the COCOF Simplification document in February 2010

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### Simplification Group Meeting - results

The options which are most likely to be used in ETC programmes are:

- o Flat-rate on indirect costs
- o Lump sums (especially for small project funds / People to people types of actions)

One programme in the Lab Group adopted the simplified costs option (flat-rate on indirect costs)

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### Simplification Group Meeting - results

- At the moment quite difficult to implement Standard scales of unit costs due to the advance of programmes' implementation and:
  - Difficult to identify sufficiently similar ETC projects
  - Different economic profiles and living standards between Member States
- A possibility would be the adoption of community rules for certain types of costs, such as per diems (daily allowance fees) covering travel and accommodation.
- The existing rates applicable to external cooperation programmes could be used as basis ([http://ec.europa.eu/europeaid/work/procedures/implementation/per\\_diems/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm))
- The results of the discussions and the outcomes of the simplification Lab Group will be used in the discussions on the Future of ETC

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Thank you very much for your attention.

Please don't hesitate to contact us  
for further information or visit  
[www.interact-eu.net](http://www.interact-eu.net)



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