



Interreg III B Northern Periphery

Lead Partner and Partner Seminar
Rovaniemi Feb 2-4, 2005



Know the feeling?

Financial charges

Percentage rates

1685

Expenditure actually paid

Budget

Project Revenue

Overhead costs

Progress report

Eligibility

NMS funding

Public co-financing

ERDF

Own work

Time sheets

Non-eligible co-financing

Decision

Claim form

Pro rata

Final beneficiary

In kind contributions

Project accounts

Equivalent probative value

VAT

Second-hand equipment

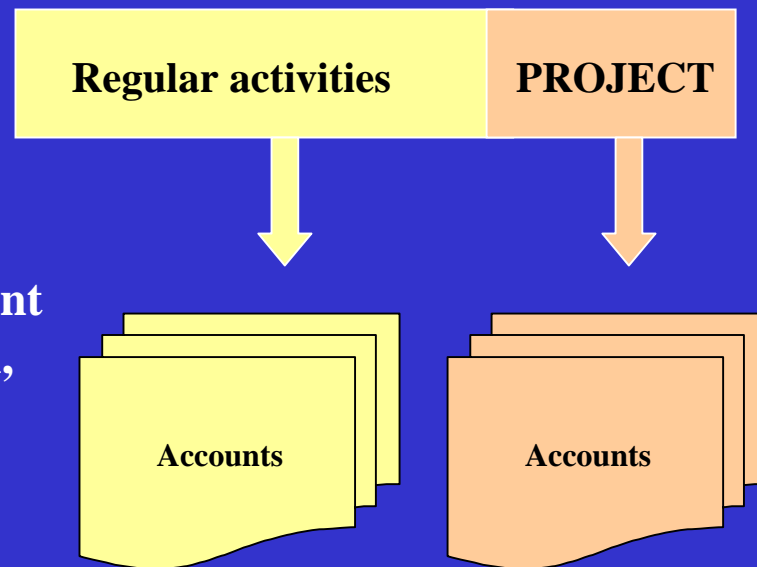


Separate Project Accounts

Project accounting

- *Each* partner must keep separate project accounts in their national currency.

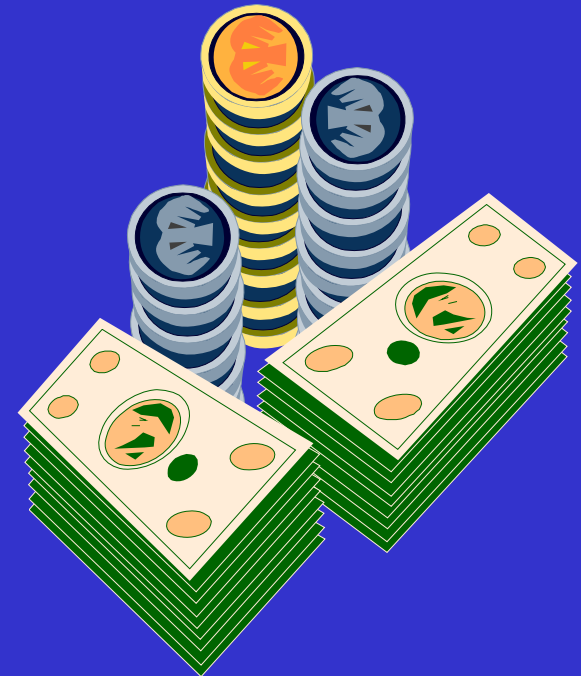
-Each partner must be able to present a ledger from his accounting system, showing **ONLY** transactions generated in the project





Separate Project Accounts

- * The accounting system must ensure the posting of all expenditures and revenues related to the project
- * Expenditures must be entered into the accounts and paid before they can be claimed
- * The Lead Partner keeps the overall accounts for the project and reports bi-annually to the NPP secretariat
- * All expenditures and revenues must be posted and detailed in bi-annual progress reports





Payments



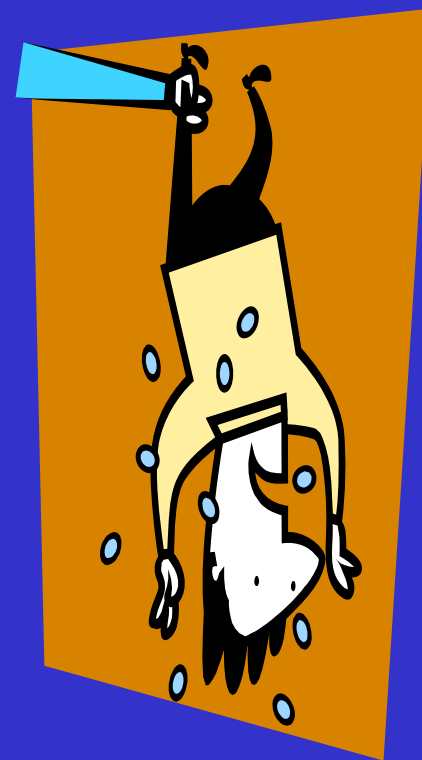
- Payments will be made in EUR
- Payments will be made retrospectively against actual expenditure paid out
- National co-financing should in principle be paid out
- Applications for payments should be sent to the NPP Secretariat with the six-monthly progress reports/final report (Exception: Interim claims)



Payment Procedure

- 1 The Lead Partner submits a joint Application for Payment to the NPP Secretariat, together with the progress report.
- 2 The NPP Secretariat passes the financial information on to the PA. The PA makes a "rough" check of the claim.
- 3 Unless there are any major irregularities, the Paying Authority issues a payment decision and makes the payment to the Lead Partner. The Lead Partner distributes the payment among partners.
- 4 The Secretariat checks the progress report and, if necessary, asks for more information.
- 5 The conformity with financial regulations and requirements is controlled by the Paying Authority. If necessary, the PA asks for more information. Sample checks are made. Corrections may effect future claims

N.B. All payments except the final payment are preliminary and may be corrected.





Supporting Documentation (1)



The following documents should be sent to the secretariat and copies should be kept by the Lead Partner

Always send:

- Certificate of expenditure
- Progress Report
- Monitoring Tables of Budgetary Commitments (MTBCs)
- Financial Reporting Summary
- Summary of Exchange Rates
- Entries
- Time sheets

Projects can choose one of the following:

- 1a) Send ledgers for all partners with each claim
 - 1b) Send copies of all invoices and receipts with each claim
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- 2a) Send auditor's statements annually AND send all ledgers with the final report
 - 2b) Send auditor's statements annually AND send copies of all invoices and receipts with the final report.

The Paying Authority strongly recommends alternative 1a)



When applicable, send:

- Model for how overhead costs have been allocated + supporting documentation (with first claim)
- Leasing contracts



Supporting Documentation (2)



Copies kept by the Lead Partner (for on the spot checks and/or random sampling):

- copies of invoices and receipts
- rental and leasing contracts
- employment contracts
- other documentation



The Lead Partner must preserve copies of ALL supporting documents in case of an audit. Documentation should be kept for at least ten years. Documentation for 2000-2002 must be kept until 2012



448/2004 (1)

(Commission Regulation (EC) No 448/2004)

Rule No 1: *Expenditure actually paid out*

- depreciation
- in kind contributions
- overheads

Proof of expenditure

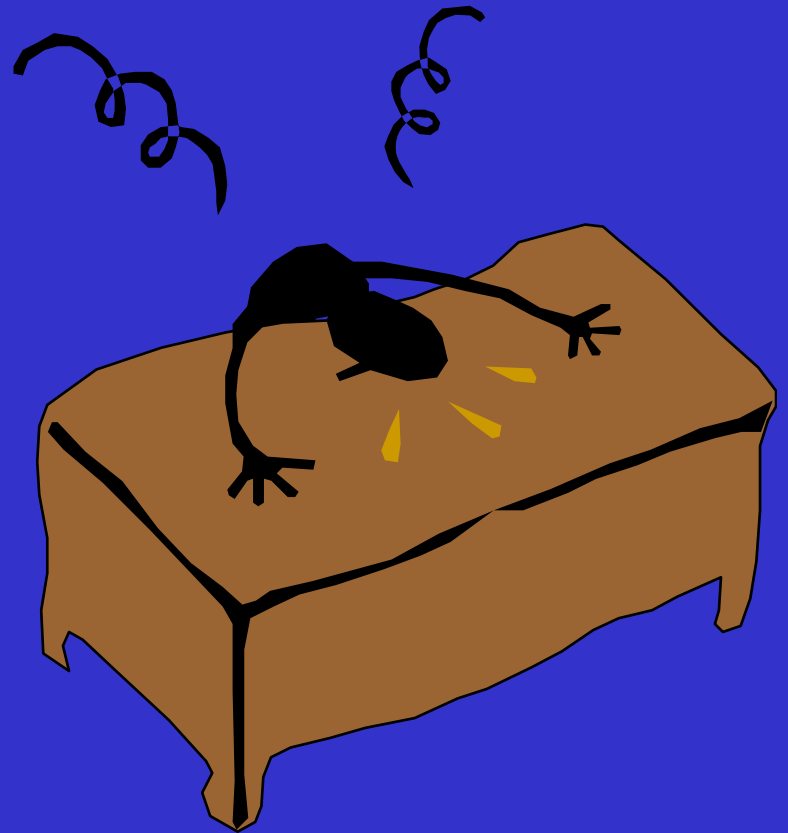
Subcontracting

Rule No 2: Accounting treatment of receipts

- Know the difference between revenues and co-financing!

Rule No 3: Financial and other charges

- Normally non-eligible
- Exception: Charges for transnational financial transactions (INTERREG III)





448/2004 (2)



(Commission Regulation (EC) No 448/2004)

Rule No 4 Purchase of second-hand equipment

- declaration of origin
- economic advantage

(Rule No 5: Purchase of land)

(Rule No 6: Purchase of real estate)

Rule No 7: VAT and other taxes and charges

- non recoverable VAT = eligible cost
- recoverable VAT = non-eligible cost

You must state the VAT status of ALL your partners!

(Rule No 8: Venture capital and loan funds)

(Rule No 9: Guarantee funds)



448/2004 (3)

(Commission Regulation (EC) No 448/2004)

Rule No 10: Leasing

- (via lessor)
- aid to lessee:
 - *other costs, such as tax, lessor's margin, interest refinancing costs overhead, insurance charges etc. are not eligible
 - * must be the most cost-effective method

(Rule No 11: Costs incurred in managing and implementing the Structural funds)

Rule No 12: Eligibility of operations depending on the location

Basic principle: Activities should take place in the Northern Periphery region. Exceptions must be pre-approved by the PA.





More on Eligibility (1)

EXTERNAL EXPERTS and CONSULTANCY FEES (Subcontractors charges)

- Costs for work done by an independent consultant or expert are eligible if the work is essential to the project and the costs are reasonable. Note that the hiring of consultants is subject to public tender regulations.



STAFFING COSTS

- Staffing costs; salary, taxes and social contributions, are considered eligible for personnel directly engaged on the project where the applicant can clearly demonstrate that the personnel concerned are working with additional tasks.
- Timesheets, timesheets, always timesheets... Unless, of course, you are employed full-time by the project.

Calculation of hourly costs

Monthly salary + soc. contributions etc. / 165 =
hourly rate

OR

Annual salary + soc. contributions etc. / 1760 =
hourly rate



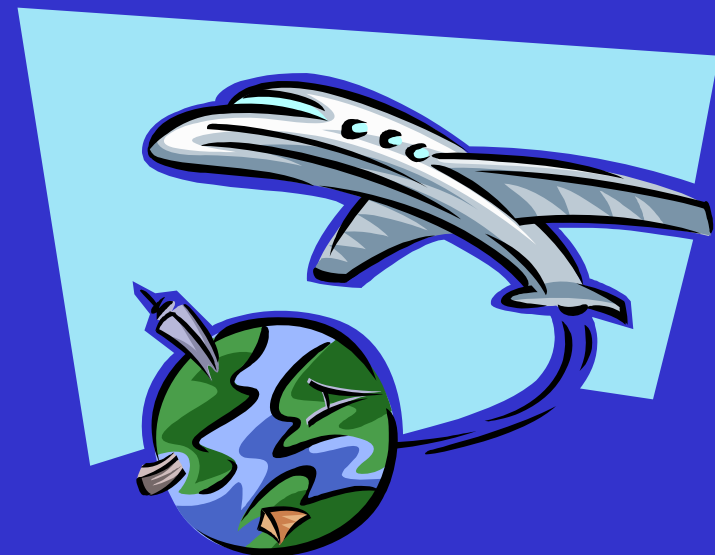
More on Eligibility (2)

TRAVEL COSTS and SUBSISTENCE

- Travel costs must be directly related to and essential for the effective delivery of the project.

GENERAL COSTS

- General costs include premises, which must be additional & related solely to the project, postage, telephone, fax and office supplies
- Overhead costs are considered as eligible provided that they fill certain requirements





More on Eligibility (3)



PROMOTION and PUBLICATIONS

- may include costs related to promotion and publications specific to the project such as: design and production of marketing materials, brochures and publications as well as targeted advertising campaigns. **DON'T FORGET THE EU BANNER!!**

MEETINGS, CONFERENCES and SEMINARS

- may include costs related to aspects of organising of and participating in meetings and seminars, such as rent of premises used, catering, general transportation



More on Eligibility (4)

EQUIPMENT

- Only equipment, which is essential for the delivery of the project, which will be used solely for that purpose and has been purchased from third parties within the eligible time period
- Depreciation of owned equipment:
 - the cost and description of the item purchased
 - the purchase date; the number of years over which the item is being depreciated (this must be a minimum of 3 years)
 - the % of the item use devoted solely to the ERDF project, over the life of the item





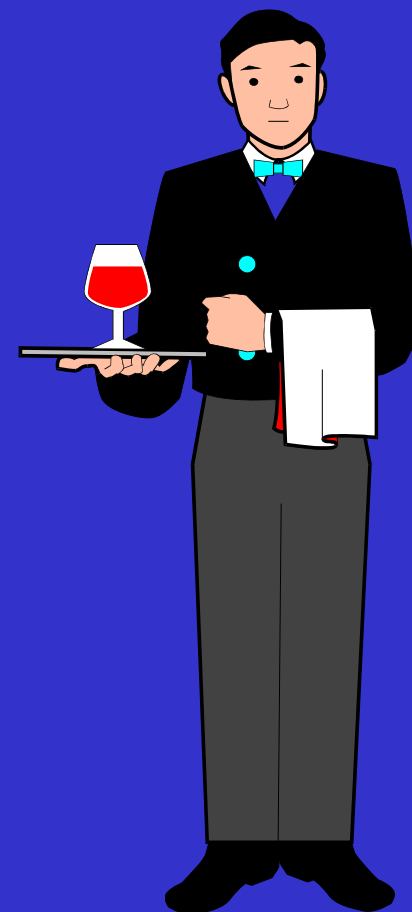
More on Eligibility (5)

OTHER COSTS

Other eligible costs clearly needed and relevant to the project. The costs must be specified and justified.

Note that :

- a) Excessive costs for representation/ entertainment will not be accepted. For these types of expenditure, always state the purpose and the names of participants and what organisation they represent.
- b) In-kind contributions should be listed under this heading.

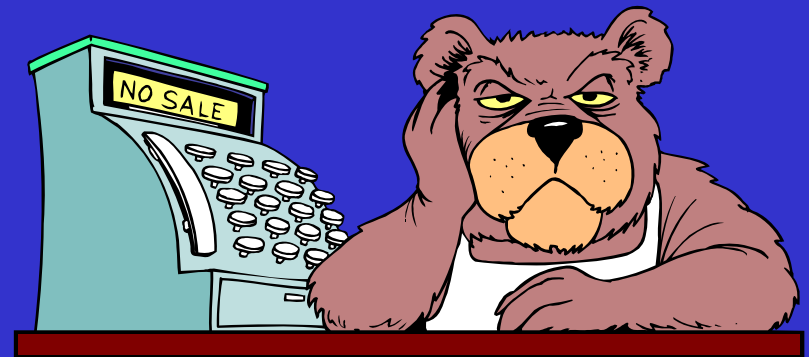




Ineligible Costs

INELIGIBLE COSTS – a few examples

- Loan charges
- VAT which is legally recoverable
- Any costs born beyond the eligible project period
- Costs prior to the official start date
- Payments into private pension schemes
- Bad debts
- Gifts
- Costs of public administration staff engaged in their usual duties
- Exchange rate losses
- Excessive representation/entertainment

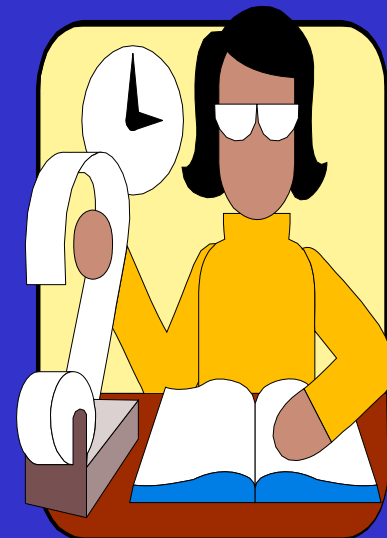




Overhead Costs (1)

Overhead costs

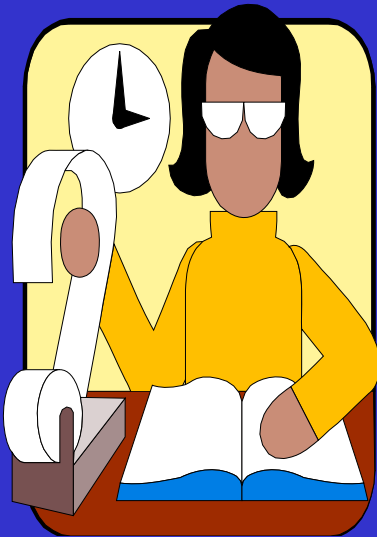
- A model for the allocation of overhead costs should be enclosed in the claim.
- Should be based on actually paid expenditure
- Will be tried and approved by the PA.
- The allocation should be pro rata according to a duly justified, fair and equitable method.
- PA decides what is fair and equitable





Overhead Costs (2)

General principles



Restrictive use of overhead costs. Allocate costs *directly* to the project as much as possible

- If you would have had the same cost even without the project, it should not be included in the overhead.



Overhead Costs (3)

You can NOT include:

- Directors' fees
- The CEO's salary
- Salaries to the managerial staff
- Subsistence
- Mileage allowance/car compensation
- Travel expenses
- Benefits in kind
- Training
- Health care
- Representation
- Investments or depreciation
- Leasing
- Bad debts

