



MINUTES

Eligibility & more

- tasks and responsibilities of FLC in the project cycle

5th Iq-Train Workshop on FLC

05 September 2006

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The project Iq-Train is funded by INTERACT, which is part of the Community Initiative INTERREG. INTERACT is financed by the European Regional Development Fund (ERDF). This project addresses priority 3 measure 2 of the INTERACT Programme



This project has received European Regional Development Funding through the INTERACT Programme

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AGENDA

Tuesday, 05 September

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|---------------|---|
| 09:30 - 10:00 | Welcome and coffee |
| 10:00 - 10:30 | Introduction: Framework conditions for the programming period 2007-2013 - perceptions from auditors and IBs |
| 10:30 - 11:30 | Selection of topics |
| 11:30 - 12:15 | Working groups on selected topics of FLC (part I) |
| 12:15 - 13:00 | Presentation of findings to the plenum and discussion |
| 13:00 - 14:00 | <i>Lunch break</i> |
| 14:00 - 15:00 | Working groups on selected topics of FLC (part II) |
| 15:00 - 15:15 | <i>Coffee break</i> |
| 15:15 - 16:45 | Presentation of findings to the plenum and elaboration of common recommendations for Program Documents |

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Introduction

Christa Bradler and Johann Klug (both Government Office of Styria) describe background and aims of the workshop: after the decision of the EC of Regulation (EC) No 1080/2006 and EC (No) 1083/2006 (and a draft of the implementation regulation to these two regulations) and close to finalization of the new programme documents auditors, IBs and Managing Authorities meet to exchange their experience and knowledge on selected topics of FLC. At the end of the meeting it is planned to define open questions and possibly some concrete recommendations for the new programme documents.

Selection of topics

The participants select the following topics which are regarded as the most important aspects of FLC to be discussed at the workshop. Topics are collected under two predefined headers:

Eligibility

Separate bank accounts eligible?
IIIB and IIIC common costs
Depreciation (Art. 53, draft of implementation regulation)
Overheads (Art. 52, draft of implementation regulation)
Interpretation of Art. 13, (EC) No 1080/2006
Common Costs, overheads in general
Staff costs
Criteria for eligible areas (Art. 21, (EC) No 1080/2006)

Tasks & responsibilities

Responsibilities of auditors concerning <ul style="list-style-type: none"> ▪ Lead Partners ▪ Project Partners ▪ Audit of Content ▪ Audit of Progress
Language of OPs and other programme documents
Auditing of cost categories and work packages

Cycle of reporting and payment claims
“Overflow-budget” of project partners: flexible or fixed?
Contact point for FLC from different countries (at JTS?)
Clear definitions for budget allocations
Storage of project application form and other documents

Eligibility rules in programme documents

There are three possibilities discussed for dealing with eligibility rules concerning the new OPs:

1	Eligibility rules are not mentioned in the programme documents.
2	The programme documents refer to articles in regulations.
3	Eligibility rules are mentioned (detailed) in the programme documents EC and Second Level Control would then also approve these rules when approving the OP.

With regard to Point 3 the participants agree on trying to find common recommendations. Each cross-border programme decides whether to include eligibility rules in the OP or not.

Selected topics

Within small working groups auditors, IBs and MAs discuss the topics mentioned below. They present their findings to the plenum for feedback and discussion. After the second round of working groups the plenum agrees on recommendations to be included in the programme documents.

Article 13 (Regulation (EC) No 1080/2006) (rules on eligibility of expenditure):

“... the most extensive eligibility rules shall apply throughout the programme area.” (last sentence of article 13):

Different possibilities of interpretation (understanding) are discussed:

- Strictest national eligibility rules apply?
- Most flexible national eligibility rules apply?
- The national rules of MS with biggest share of ERDF-contribution apply?

German-speaking participants also point out a difference in interpretation between the English and German version of the regulation (“... die Förderfähigkeitsregeln mit der größten Tragweite.”).

Article 21 (Regulation (EC) No 1080/2006) (eligible area)

- In cross-border projects only partners from the NUTS II region can be included (§1).
- Definition in the AT-HU programme, chapter 2: “external partners can be included.”
- Problem: In cross-border programmes there is no FLC and second level control for other countries.
- In transnational and interregional cooperation external partners (from outside the programme area) can be included.

Article 49 (Draft of implementation regulation) (financial charges)

Paragraph 2: “... requires a separate account or accounts...”: how to deal with this definition?

- A separate project account would be better for countries without €.
- Costs for separate bank accounts can be eligible when one of the following is fixed in the OP:
 - Preconditions (only Lead Partner or Project Partners as well?)
 - If separate project accounts are existing, they should be eligible for Lead Partner and Project Partners.

Article 52 (Draft of implementation regulation) (overheads)

There is a discussion whether overhead costs should be included in the programmes (because they are difficult to prove for PP and also difficult to audit) or not.

If they are included, this article allows for different possibilities:

- Fixed rate (e.g. 10%)
- “average real costs attributable to operations of the same type.”

Question:

- % of whole costs
 - % of eligible costs
 - % of personnel costs
- } Share of which costs?
- There is to be distinguished between
 - material costs
 - staff costs

Overhead costs can include both material and staff costs (“indirect” staff costs).

Note: Public staff is not in all cases (and all MS) eligible for staff costs.

Article 53 (Draft of implementation regulation) (depreciation)

Wish from auditors: The reason for purchase of depreciable assets in a project should be described very clearly in the Application Form (then the problem/question whether the whole purchase is eligible or only the depreciation over the project period could be avoided).

Common (transnational) costs

Definition of common transnational costs (see also IIIB Alpine space-programme:

http://www.alpinespace.org/uploads/media/Guidelines_CTA.pdf):

Costs that are shared by all partners (for example costs for project management or certain information & publicity measures like a project homepage).

- One suggestion: invoices to Lead Partner only and audit by FLC of Lead Partner (only example: Interact-project Iq-Train).

- Another suggestion: Lead Partner invoices different Project Partners their share (example: some project in IIIB CADSES).
- Problem: cross-border programmes have separate budget for MS (therefore first suggestion not possible).
- Problem of money flow between LP and PPs.

Cost categories

Will there be fixed cost categories?

- In IIIA there are cost categories
- IB is responsible for shifts, changes etc.
- In case of shifts of more than 20% Monitoring committee (JMC) is responsible
- Who will decide about project changes in the future?

Language

a) Subsidy contract

- According to the EC it is up to the OP to find a solution.
- Transnational and interregional programmes: only English.
- Cross-border programmes: fixed solution or flexible (depending on partners).
 - Suggestion: bilingual with responsibility at the national IBs.

b) Application form

- Suggestion: could be bilingual with responsibility at the national IBs.

c) FLC Audit report

- Suggestion: National language and responsibility with national IBs/national FLCs.

d) Progress report

- Suggestion: language of Lead Partner and responsibility with the LP and/or national auditing bodies.

e) Programme documents

- Official document in English, working papers for project holders could be in the respective national language. Responsibility with the MA.

Co-financing and structure of FLC

Possibilities for co-financing:

- Out of technical assistance
- Out of each single project

General possibilities for organisation:

- Centralized body (for all projects)
- Individual body (for a single project)
- Austrian "federalistic" system: "Länder" share responsibility with state.

Ideas/Questions:

- Additional staff could be co-financed.
- Who has the risk/liability if FLC is not a public body?
- Problem that private auditing companies are expensive (but have insurance to cover liability).
- Problem that most private auditing companies have few experience with ERDF regulations.

Open questions

Interpretation of Article 13 (regulation (EC) No 1080/2006): what does “most extensive eligibility rules” mean?
Wording in Article 21 (regulation (EC) No 1080/2006): does “transnational” mean “cross-border”?
Who is in charge of auditing and certifying costs of project partners (Art. 21 Regulation (EC) No 1080/2006)? What about payment modus?
Will there be more regulation on eligibility than Article 56 (EC) No 1083/2006 and the current draft of the implementation regulation?
Interpretation of Article 52 (Draft of Implementation Regulation): What does “average real costs attributable to operations of the same type” mean? Other ERDF operations or operations co-funded by ESF or other funds?
How is FLC supposed to check plausibility of a fixed rate for overhead costs?
Will there be fixed cost categories? Clear definitions of categories, maybe in PC light, are desired by auditors. Also clear definition of budget shifts - percentage, how often, responsibility.
Who will decide about project changes?
Language of partnership agreement?
Language of invoices? Expensive officially approved translation could be necessary, but should be avoided. Possibility of invoices in English?
Who can theoretically be FLC? Departments of public administration, private companies? (linked to question of who is in charge of contracts and question of liability)
Transnational and interregional programmes: will FLC of Lead Partner also be responsible for FLC of Project Partners (“plausibility check” or even one “common” certification of expenditure from FLC of LP for all PPs, like in IIIC now)?
Possibilities for and frequency of ERDF payment claims? (at fixed times during the year or ongoing?)

Recommendations

The participants (auditors, IBs, MAs) of the workshop agree on the following possible recommendations for the new OPs:

<p>Definition of fixed percentage for overhead costs calculated from staff costs on the basis of “real” documented working hours (staff costs: gross salary + employers costs / worked hours per year for each person working on a project).</p>
<p>Clear definition of depreciation of assets in the OP and in each application form.</p>
<p>Implementation of working group within the AT-CZ programme to define clear procedures for project changes. These procedures should be written down in PC light (percentage, number of changes, responsibilities of IB, MA, JMC).</p>
<p>Standardized subsidy contracts on programme level (to be defined in chapter: “administrative structure”).</p>
<p>Co-financing of FLC (external auditors) out of budget from single projects could be considered.</p>
<p>Clear definition of responsibilities of FLC concerning Lead Partners and Project Partners in the OP (especially liability).</p>
<p>Mentioning of responsible FLC in the respective subsidy contract (to be defined in chapter: “administrative structure”).</p>
<p>Compulsory meeting between FLC of Lead Partner and (financial manager of) Lead Partner before signing of subsidy contract. Within this meeting information about eligibility cannot be very detailed but cover general topics like cost categories, payments, invoices, procedures... (to be defined in chapter: “administrative structure”).</p>
<p>Contact person for all auditors in one OP with the tasks of networking and spreading of information. This should be an additional task of the JTS.</p>
<p>It should be insured that, if money has to be paid back on level of project partners, the whole project is not tackled (if objectives can still be fulfilled). Activities then have to be eligible until the moment the project partner leaves the cooperation.</p>

Next steps

The findings of the workshop should create an added value to the ongoing programming process and will therefore be disseminated according to the following measures:

Discussion in wider network of all regions and countries.
Forwarding of information (of the protocol) to many other actors.
Forwarding of protocol to INTERACT (with request for possible answers to open issues).
Forwarding of protocol to Austrian Federal Chancellery especially concerning Art. 13 of (EC) No 1080/2006.
General spread of information to many actors.
Feedback of this information will be sent to Iq-Train Secretariat.

Iq-TRAIN PROJECT PARTNERS



Office of the government of Lower Austria, department of spatial planning and regional policy (Lead Partner)



Office of the government of Upper Austria, department of regional and spatial planning



Office of the regional government of Styria, department 16



Office of the government of Carinthia, department 20 - spatial planning



Autonomous province of Bolzano - South Tyrol, department of European affairs



South Bohemian region, department for regional development



South Moravian region, Regional Council Secretariat



Vysočina region, department for regional development



Government Office for Local Selfgovernment and Regional Policy, SI

This workshop was organised by Iq-Train (INTERREG Quality Training), for more information see www.iq-train.net or contact the Iq-Train Secretariat (Sabine Rosenberger, +43(0)2742/9005-12571, sabine.rosenberger@noel.gv.at).