

# *The Financial Control Unit*

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**Funds and Programmes Division**  
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*INTERREG EUROPE Programme- Cohesion Policy 2014-2020*  
*Sharing solutions for better regional policies*  
*Projects part financed by the European Union*

*European Regional Development Fund (ERDF)*

*Co-financing rate: 85%/75% EU Funds; 15%/25% National Funds*



*Investing in your future*

## ***Presentation Outline***

- The role of the FCU
- Sampling Methodology to be adopted by FCU
- Standard Documentation to be submitted by the FLC

## ***Role of the Financial Control Unit***

*The FCU within the Funds & Programmes Division was set up to provide an added level of assurance to the Head of the National Authority.*

*The National Authority is represented by the European Territorial Cooperation Unit within the Funds & Programmes Division.*

*Through its direct reporting to the Head and also given that the Unit is independent of the first level control checks undertaken, the nature of its function and its governance structure make it a very important aspect of the management and control structures of the National Authority (NA).*

## *Who we are?*

*Head of National Authority*

*Raphael Scerri*

*Senior Manager, Financial Control Unit*

*Marilyn Grima*

*EU Fund Manager*

*AMIF / ISF*

*EEA Norway Grants*

*EU Fund Manager*

*EMFF*

*EU Fund Manager*

*Territorial Cooperation  
Programmes*

*Raisa Cacciattolo*

## *Legal Basis*

*The financial management and control of the operational programme is vested in the managing authority - Article 125 (4) CPR:*

### **Functions of the Managing Authority**

The MA shall:

- *verify that the co-financed products and services have been delivered and that*
- *expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the operational programme and the conditions for support of the operation;*

*In line with Article 23 (4) Regulation 1299/2013:*

*Where the MA does not carry out verifications under point (a) of Article 125 (4) CPR throughout the whole programme area....*

*each Member State shall designate the body or person responsible for carrying out such verifications in relation to beneficiaries.*

***The MA shall satisfy that the expenditure of each beneficiary participating in an operation has been verified by a designated controller.***



## *Legal Obligations:*

*Article 13 (2) Reg 1299/2013: The lead partner has to ensure that the expenditure presented has been verified by a controller where this verification is not carried out by the MA subject pursuant to Article 23(3).*

*Each Member State shall ensure that the expenditure of a beneficiary can be verified within a period of three months of the submission of the documents by the beneficiary concerned.*

*Article 25 Regulation 1299/2013 explains the Functions of the Audit Authority:*

*The auditors shall be functionally independent of the controllers who carry out the verifications under Article 23.*



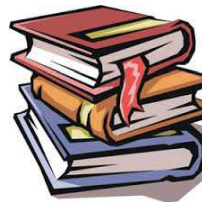
## Role of FLC

*FLCs verify and confirm eligible the expenditure through:*

**Desk-based checks** - Checks of the relevant documentation: compulsory for **each progress report**

**On-the-spot checks** - Existence and delivery of goods and services: at least **once** during the project lifetime

**100% check**



## What will the FCU do?

*The Financial Control Unit (FCU) will carry out checks on the first level control performance and the quality of the control system.*

*Checks by FCU shall be done on a **sample basis** using a risk assessment analysis system that determines which projects should be evaluated.*



## ***Risk Analysis***

*The FCU will carry out checks on 20% of the claim for payment received.*

*This will result in a high percentage of amounts being verified.*

- 1. Any general areas of concern communicated to the national authority / JTS – or communicated by the latter themselves;*
- 2. Another area of concern is the risk inherent with the type of beneficiary and whether this beneficiary was subject to previous audits. Any irregularities detected in previous claims are also important to be assessed.*

## *Risk Analysis*

*Additionally, the TCU staff may accompany FCU staff in the carrying out of on-the-spot-checks at least once during the lifetime of a project with the aim of providing for physical verifications and checks whilst also focusing on the achievement of outputs.*

*Monitoring of the project is also maintained through a number of bilateral meetings.*

*Additionally, durability checks may be undertaken after programme closure too.*

## ***Risk Analysis – Sampling Basis***

***Staff Costs*** - *The first claim for each person claimed*

***Office and Administrative Expenditure*** - *Any item in excess of € 1,000 excl VAT*

***Travel and Accommodation*** - *One person in each travel mission*

***External Expertise and Services*** - *Any item in excess of € 1,000 excl VAT*

***Equipment*** - *Any item in excess of €5,000 cost excl VAT*

***Preparation Costs*** - *Considered low risk and will not be selected*

## ***Risk Analysis – Sampling Basis***

*It is envisaged that this methodology focuses the FCU's attention to the high risk areas which could then be verified in a more detailed manner.*

*In the framework of the fight against irregularities, the Financial Control Unit remains open to review and update its risk assessment procedures and sampling parameters in line with market developments and in a way which takes into account the risk factors as well as cost-benefit aspects of the control.*

# ***Standard Documentation to be submitted by FLC***

## ***Standard Documentation to be submitted by FLC***

The standard documents that shall be submitted online:

- a. Independent First Level Control Certificate (annex 2)**
- b. First Level Control Report including Checklist (annex 3)**
- c. List of Expenditure**
- d. First Level Control Report on Suspected or Established Fraud if the need arises (annex 4)**

Such documents are sent to the Lead Partner and then the Lead Partner consolidates the partner financial reports in the Joint Progress Report.



## ***Standard Documentation to be submitted by FLC (cont.)***

### Independent First Level Control Certificate

1. Has to be signed by each project partner's first level controller (this includes an independent first level control certificate for the lead partner for their own (partner's) expenditure).
2. The aim of this certificate is to confirm the independence of the FLC from the project partner and that based on all the documents provided all expenditure is legal and regular and that all verifications made were done precisely and objectively;
3. Has to be available for the lead partner and the joint secretariat.
4. Such document can be found within Interreg Europe Programme Manual – Annex 2, through FPD website or else it can be downloaded from :  
[http://www.interregeurope.eu/fileadmin/user\\_upload/documents/programme\\_manual\\_-\\_Annex\\_2\\_-\\_Independent\\_first\\_level\\_control\\_certificate.docx](http://www.interregeurope.eu/fileadmin/user_upload/documents/programme_manual_-_Annex_2_-_Independent_first_level_control_certificate.docx)

## ***Standard Documentation to be submitted by FLC (cont.)***

### First Level Control Report Including Checklist

1. This checklist has to be filled in by each project partner's first level controller (this includes one for the lead partner for their own (partner's) expenditure). **The aim of this checklist is to verify all budget lines within the project.**
2. This report has to be submitted to the lead partner online for validation BUT a copy is to be sent to FPD within ten working days;
3. Such document can be found within Interreg Europe Programme Manual – Annex 3, through FPD website or else it can be downloaded from : [http://www.interregeurope.eu/fileadmin/user\\_upload/documents/programme\\_manual\\_-\\_Annex\\_3\\_-\\_First\\_level\\_control\\_report\\_checklist.docx](http://www.interregeurope.eu/fileadmin/user_upload/documents/programme_manual_-_Annex_3_-_First_level_control_report_checklist.docx)



## First Level Control Report Including Checklist

### **5. Follow-up measures from previous reports**

*If any findings/issues are still open from the previous report, describe the follow-up measures that were implemented and conclude on their effectiveness.*

n/a

### **6. Description of findings/observations/reservations**

*Specify the findings, observations and reservations, if any, that you made during your checks for this report. **In case of suspicion of fraud, please fill in the specific reporting template.***

n/a

### **7. Conclusions and recommendations**

*Describe the measures that were implemented to solve the detected errors. Provide recommendations that help to avoid similar errors. Provide a conclusion whether there is a reliable system in place and whether there is sufficient reassurance that the cost statement is free of material misstatement.*

n/a

### **8. Follow-up measures for the next progress report**

n/a

## Typical problems and mistakes

- Control report/checklist not (thoroughly) filled:
  - comment boxes not used
  - comment boxes used, but comments unclear (follow-up necessary, correction made etc.)
  - comments show weaknesses of the check, lack of awareness of programme/EU rules
  - Questions misunderstood
  - Lack of coherence between different answers and comments
  - Lack of coherence between control report and LoE
- Separate accounting codes not kept
- New Public Procurement Rules (LN 352 of 2016) that is also applicable to Local Councils
- Staff costs – check that NI is paid

List of Expenditure (incurred and paid by each project partner in the reporting period )

&

List of Contracts (has to be filled in for each contract) also to be provided

*Refer to sample documents given*

*All key documents are available on the FPD website (Financial Control Unit – Links and Downloads) and Interreg Europe website*

## ***Standard Documentation to be submitted by FLC (cont.)***

### First Level Control Report on Suspected or Established Fraud

- i. This checklist mainly is designed when cases of suspected or established fraud to the programme are encountered.
- ii. Such document can be found within Interreg Europe Programme Manual – Annex 4, through FPD website or else it can be downloaded from: [http://www.interregeurope.eu/fileadmin/user\\_upload/documents/programme\\_manual\\_-\\_Annex\\_4\\_-\\_FLC\\_report\\_on\\_suspected\\_or\\_established\\_fraud.docx](http://www.interregeurope.eu/fileadmin/user_upload/documents/programme_manual_-_Annex_4_-_FLC_report_on_suspected_or_established_fraud.docx)

***‘I hereby inform the managing authority of the Interreg Europe programme that, based on the provided documents, on my verification and my professional judgement as a first level controller, I have found evidence of or become aware of suspected or established fraud for the following project beneficiary....’***

## *Fraud vs Irregularity*

**Fraud**

**Intentional**



**Irregularity**

**error / bad  
management**

**Consequences:**

**correction  
investigation & sanctions**

**correction**

## ***Anti-Fraud Policy and Anti-Fraud Strategy***

*The Funds & Programmes Division is committed to maintain high legal, ethical and moral standards, to adhere to the principles of integrity, objectivity and honesty and wishes to be seen as opposed to fraud and corruption in the way that it conducts its business.*

*All members of staff are expected to share this commitment in line with the Division's Value Set which demonstrates amongst other values the importance of integrity and accountability.*

*Fraud can manifest itself in many different ways. The MA has a zero tolerance policy to fraud and corruption, and has in place a robust control system that is designed to prevent and detect, as far as is practicable, acts of fraud and correct their impact, should they occur.*

## *Next Steps*

During last Interreg Steering Committee, MS were informed that the first report has to be presented manually since the IT system is still not operational.

As from the second report, documentation will have to be submitted through the system.

A Virtual Q&A is being organised on the 25<sup>th</sup> November for project partners and controllers. Those who are interested can access such session through this link:

<http://www.interregeurope.eu/news-and-events/event/328/virtual-q-a-hour-on-reporting/>

# Thank you for your attention

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