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MINISTRY FOR EUROPEAN
AFFAIRS AND EQUALITY

PARLIAMENTARY SECRETARIAT
FOR EU FUNDS AND SOCIAL
DIALOGUE

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Project Management Case Study

Financial Management: Eligibility of Expenditures for Interreg Europe, Interreg MED and Interreg Italia-Malta

The aim of this case study is to discuss how the theory around project and financial management needs to be implemented in practice in 2014 – 2020 Interreg projects.

Disclaimer

We have tried to create a realistic example of an Interreg V project to highlight some of the most important and challenging issues in Project and Financial Management. This case study is not based on any real Interreg project.

Interreg V Programme VIKINGIA (DE-SE-FI-MT)

The overall objective of the Programme is to strengthen integrated territorial development and cooperation for a more innovative VIKINGIA Region. The Programme exploits opportunities and addresses issues which cannot sufficiently be dealt with by partners from single countries. Thus strong cooperation between institutions from all involved Member States is required. Programme eligible area covers four Member States (Germany, Sweden, Finland and Malta).

Interreg V Project: 'Cooperation to Facilitate Entrepreneurship in Remote Areas' ('co-FERA')

Background

Remote areas are regions located far from business, political and cultural centres of countries. Due to their peripheral and distant location, they often suffer from outflow of professionals, ideas and capital. In many cases they lag behind in terms of entrepreneurship and business start-up activities, as well as in export and internalisation. Consequently, peripheral, remote areas are often hit by higher-than-average unemployment rates, especially among seniors.

Objectives of 'co-FERA' project

The aim of the 'co-FERA' project is to improve the services of business incubators

in countries across Europe, in order to provide more targeted support and finance to individuals who are at least 50 years old, have been unemployed for the past 4 years, and who are planning to start to expand their small- or medium- sized enterprise (SME¹)

The objectives of the 'co-FERA' project will be achieved through three main outputs:

1. Establishing and facilitating a **network of business incubators** in remote areas of four countries covered by the Interreg V Programme VIKINGIA: Germany, Sweden, Finland and Malta.
2. Designing and delivering a **training package offered by business incubators** in peripheral areas in (Germany, Sweden, Finland and Malta), to support SME development, export and internationalisation.
3. Developing an **online platform for newly-established SMEs** to facilitate their internationalisation and export activities.

¹ The definition of micro-, small- and medium-sized enterprises (SME) is presented in Annex to Commission Recommendation 2003/361/EC of 6 May 2003. It states that 'The category of micro, small and medium-sized exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million'.

Partnership composition

Nr	Partner	Country	Type	Status
P1	B.L.O.G - Mr. Al Pacino - Ms. Kate Winslet	Germany	SME	Private
P2	GreenTree Agency Representatives: - Mr. Johnny Depp - Ms. Angelina Jolie	Sweden	Agency	Public-equivalent
P3	Ministry for Small Businesses - Mr. Robert De Niro - Ms. Charlize Theron - Mr. Kevin Spacey	Finland	Ministry	Public
P4	GRISBY Foundation - Ms. Keira Knightley - Mr. Denzel Washington - Ms. Catherine Zeta-Jones	Malta	Non-governmental organisation (NGO)	Voluntary Organisation

Table 1

Duration: 48 months 01/01/2017 – 31/12/2020

Project Implementation – Rules on eligibility of expenditure Exercises

You will be appointed as an FLCer for one of the partners as shown in Table 1.

Your task

You, as FLCer of the selected partner participating in the project co-FERA, have received the list of expenditure to validate related to the reporting period 01/07/2017 – 31/12/2017.

Exercise 1: Staff Costs

In this progress report, among the expenditure there are staff costs reported by the Project Partner.

Additionally, you would receive the **documents that compose the audit trail** of the related expenditure, among them:

- List of staff working on the project, signed by the project coordinator.
- Employment contract.
- Letter of Assignment / Mission Letter.
- Timesheets which should include list of duties carried out.
- Pay slips in connection with period of claim.
- Documentary evidence of fixed allowances (if these are being included in the calculation of hourly rate).
- NI contribution receipts (if these are being included in the calculation of hourly rate).
- Document showing calculation of hourly rate, according to staff category opted by the partner.

N.B.: For the purpose of this exercise, the information regarding the work contracts and the employment costs are included in the present booklet.

Information needed for this exercise

1. Staff Costs Calculations

Nr	Partner	Type	Staff Names	Methods of Staff Costs Category (SCC)	
P1	B.L.O.G	SME	Al Pacino	Full-time	1
			Kate Winslet	Working partly on the project based on the contractual hours as indicated in the employment contract	3a
P2	GreenTree Agency	Agency	Johnny Depp	Fixed percentage	2
			Angelina Jolie	Working partly on the project based on the contractual hours as indicated in the employment contract	3a
P3	Ministry for Small Businesses	Ministry	Robert De Niro	Full-time	1
			Charlize Theron	Fixed percentage	2
			Kevin Spacey	Working partly on the project based on dividing the latest documented annual gross employment costs by 1,720 hours	3b
P4	GRISBY Foundation	Non-governmental organisation (NGO)	Keira Knightley	Full-time	1
			Denzel Washington	Working partly on the project based on dividing the latest documented annual gross employment costs by 1,720 hours	3b
			Catherine Zeta-Jones	Hourly basis	4

Table 2

2. Staff Costs Details for calculations based on methods 1 and 2

Nr	Partner	Staff Names	SCC	Annual Salary	Annual Social Security Contributions	Annual Compulsory Gov. Bonus	Annual Fixed Allowances
P1	B.L.O.G	Al Pacino	1	€23,430.98	€2,280.20	€512.00	N/A
P2	GreenTree Agency	Johnny Depp	2	€10,975.53	€1,097.55	€512.00	€2,992.70
P3	Ministry for Small Businesses	Robert De Niro	1	€24,385.10	€2,280.20	€512.00	€5,954.00
		Charlize Theron	2	€25,024.49	€2,280.20	€512.00	€6,720.36
P4	GRISBY Foundation	Keira Knightley	1	€29,332.60	€2,280.20	€512.00	€7,850.20

Table 3

3. Staff Costs Details for calculations based on methods 3a and 3b

Nr	Partner	Staff Names	SCC	Annual Salary	Annual Social Security Contributions	Annual Compulsory Gov. Bonus	Annual Fixed Allowances
P1	B.L.O.G	Kate Winslet	3a	€23,430.98	€2,280.20	€512.00	N/A
P2	GreenTree Agency	Angelina Jolie	3a	€26,769.90	€2,280.20	€512.00	€5,720.60
P3	Ministry for Small Businesses	Kevin Spacey	3b	€22,437.85	€2,280.20	€512.00	€4,188.58
P4	GRISBY Foundation	Denzel Washington	3b	€24,050.30	€2,280.20	€512.00	€5,234.50

Table 4

4. Staff Costs Details for calculations based on method 4

Nr	Partner	Staff Names	SCC	Hourly rate as per contract
P4	GRISBY Foundation	Catherine Zeta-Jones	4	€30.50

Table 5

N.B.: Please refer to workout sheets and timesheets (specifically for SCC 3a, 3b and 4) provided with this booklet.

5. Malta's Social Security Contributions for year 2017

Persons whose basic weekly wage is between the amounts indicated below	Persons whose basic weekly wage is equal to or exceeds the amount indicated below
€169.77 - €438.53	€438.54
10% (of the basic weekly salary per Monday)	€43.85 (per Monday)

Table 6

6. Malta's Bonus and Weekly Allowances

From the 15th till the 23rd December	€135.10
End of September	€121.16

Table 7

7. No. of annual holidays (days) as per the employment contract

30 days

8. Number of working hours per day

8 hours

Exercise 2: Travel and Accommodation

Case Study No. 1

A project partner issued a request for quotations on 23/05/2018 at 10:56 am for the procurement of flights in economy class to travel to Marseille, France according to the below criteria:

Departure: 13/06/2018 (before noon)

Returning: 14/06/2018 after 19.30 hrs

- If connecting flights are involved a minimum of 2 hrs connecting flight is required.
- Price to include 10kg carry on hand luggage only.
- Deadline: 23/05/2018 till 15:00hrs.
- Quotations in response to the request must be valid for the price quoted until 15:30 hrs of 23/05/2018.
- The best cheapest offer will be selected.

Below are the quotations submitted by various service providers:

Quotation no. 1 received on 23/05/2018 at 11:06 am

Itinerary: Departure 13/06 Malta – Brussels 1005 1300
13/06 Brussels – Marseille 1510 1700
Returning 14/06 Marseille – Malta 2210 2359

Price: €285.59, Hand Luggage only

Quotation no. 2 received on 23/05/2018 at 2:13 pm

Itinerary: Departure 13/06 Malta – Rome 1140 1305
13/06 Rome – Marseille 16:45 18:10
Returning 14/06 Marseille – Malta 2210 2359

Price: €389.83, Hand Luggage only

Quotation no. 3 received on 23/05/2018 at 11:23 am

Itinerary: Departure 13/06 Malta – Munich 08:45 11:05
13/06 Munich – Marseille 12:30 14:15
Returning 14/06 Marseille – Malta 2210 2359

Price: €267.58, Hand Luggage only

Quotation no. 4 received on 23/05/2018 at 12:16 pm

Itinerary: Departure 13/06 Malta – Frankfurt 12:50 15:30
13/06 Frankfurt – Marseille 17:45 19:15
Returning 14/06 Marseille – Malta 19:55 22:30

Price: €255.75, Hand Luggage only

Quotation no. 5 received on 23/05/2018 at 15:16 pm

Itinerary: Departure 13/06 Malta – Frankfurt 12:50 15:30
13/06 Frankfurt – Marseille 16:00 17:15

Returning 14/06 Marseille – Malta 07:05 08:55
Price: €276.86, Hand Luggage only, €290.00 with checked-in luggage.

Which is the best cheapest offer?

Case Study No. 2

An employee will be having a Kick-Off Meeting of a project over 3 days, starting on the 24th of September and ending at 15:00pm on 26th September. The meeting is being held at the Lead Partner’s country, Italy. The delegate will have all meals covered by the organiser. Accommodation, transfers and any other travel to-and-from-venue is on the delegate’s responsibility. In total, 5 meals are scheduled on the agenda. Calculate an estimate of the officer’s per diem allowance.

Useful information for this case study

The employee will depart on the 23rd of September and arriving back on 26th September (late at night).

Applicable per diem rate to Italy is €230.

The relative components of the subsistence allowance are:

Accommodation	50%
Breakfast	10%
Lunch	10%
Dinner	10%
Sundry expenses	20%

Contingency money issued shall be calculated on 20% of the per diem allowance which should not be less than €100 and shall not exceed €230

Exercise 3: External Expertise and Services

Case Study No. 1

A Project Partner issued a request for quotations on 12/08/2018 at 10:56 am for the procurement for accommodation for an external expert on a bed and breakfast basis for three nights in a 5 star hotel in Malta with the below specifications:

Arrival of guest: 24/09/2018

Departure of guest: 26/09/2018

It was also state that quotations should be submitted by 25/08/2018 till 12:00pm.

Award criteria: The cheapest technically compliant bidder who abides to the technical specifications.

Below are the quotations submitted by various service providers:

Quotation no. 1 received from Hotel Valletta on 13/08/2018 at 11:06 am

Cost per night: €170.10 (incl. VAT); Breakfast (Optional): €25.00 each (incl. VAT)

Quotation no. 2 received from Hotel Madrid on 14/08/2018 at 10:32 am

Cost per night: €251.60 (incl. VAT)

Quotation no. 3 received from Hotel Rome on 25/08/2018 at 12:06 pm

Cost per night: €210; Breakfast (Optional): €20.00 each (incl. VAT)

Quotation no. 4 received from Hotel Paris on 25/08/2018 at 11:58 am

Cost per night: €215

Quotation no. 5 received from Hotel Athens ²on 17/08/2018 at 16:15 pm

Cost per night: €169; (Breakfast inclusive in the price).

Which is the cheapest technically compliant bidder who abides to the technical specifications?

² After a market research done by the Project Partner, it was discovered that Hotel Athens is a four star accommodation.

Exercise 4: Equipment

Case Study No. 1

Equipment of general (office) use: In the case of a laptop used by the financial manager of the project, staff member of the Lead Partner working full-time on the project:

3 years project starting in March 2016

Full cost of the laptop: EUR 1.000

Depreciation plan: EUR 500 per year (2 years needed for claiming the total cost)

A laptop purchased during the project implementation and used solely for the project implementation, the full cost of the laptop may be claim using a depreciation plan. If the depreciation plan is longer than the project implementation, only the part depreciation plan covered by the project implementation may be claimed.

Purchase date: March 2016 (starting date of the project)

Calculate the depreciated amount of the laptop for each reporting period (i.e. every 6 months).

Project Implementation – Reporting of eligible expenditure

Examples of expenditures

Exercise 5: Assign each of the listed examples of expenditure to the correct budget line. Be prepared to share your challenges and justify the choice.

Nr	Project Costs	Staff Costs	Office and Administration	Travel and Accommodation	External expertise and Services	Equipment	Infrastructure and works	Not eligible	Remarks
1	Depreciation cost of a computer								
2	Travel and accommodation for a speaker at the project conference								
3	Cost related of fluctuation of the exchange rate between British pound and Euro								
4	Costs related to conference interpreting								
5	Overtime for an employee working full-time on the project								
6	Holiday of an employee working partly on the project (flexible number of hours per month)								
7	Holiday of an employee working partly on the project (fixed % of time per month)								
8	Cost of CO2 offsetting								
9	Thank you gift for project partners (at €40 per person) at the end of the project								

Nr	Project Costs	Staff Costs	Office and Administration	Travel and Accommodation	External expertise and Services	Equipment	Infrastructure and works	Not eligible	Remarks
10	Building material for a physical investment in the project								
11	Investment feasibility study								
12	Checked-in luggage fee								
13	Rent of the office car parking space								
14	Development of the project website								
15	Fuel costs for a tractor in a farming project								
16	Oxygen for a laboratory study in a research project								
17	Toner for the office printer								
18	Remuneration to a student working on the project								
19	Cost of a dinner during a project trip								
20	FLC expenses								

For any further information about the programmes, below please find contact details:

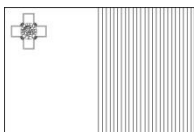
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