

# **Financial Issues & Feedback**

**Marcos Román Parra**  
**Head of Unit T1 – Resources**

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# Objectives of the presentation

- Financial legal framework
- Budgetary life cycle
- Harmonised model of cost claims
- Additional requests and controls
- Past experiences



# Part I:

# Financial Legal Framework



# I. Financial legal basis

## Council Regulations

- Council Regulation 1995/2006: Financial Regulation for EU budget
- Council Regulation 680/2007: EU financial aid to TEN
  - *Article 10 - Financial provisions*
    - Payment applications (cost claims)
    - Certification of Member States
    - Upon verification of delivery
  - *Article 13 - Cancellation, reduction, suspension of aids*
  - *Article 18 - Budgetary resources*



# I. Legal basis: decision text

## Decision granting financial aid for an action

- *Article 2 - Amount of EU contribution*



# I. Legal basis: decision Annex I

## Annex I: Special Conditions

- *Article I.1.3 - % of contribution*
- *Article I.2 - Payments*
  - 1 prefinancing (MAP projects: for each annual instalment)
  - 1 final payment (MAP projects: for each annual instalment)
  - Exceptional possibility of interim payments for non-MAP projects
- *Article I.3 -*
  - Reporting
  - Action Status Report
  - Interim/final financial statement



# I. Legal basis: decision Annex II

## Annex II: Description of the Action

- *Article II.2.3 - Activities and Milestones*
- *Article II.3 - Estimated budget*
  - Sources of Co-Financing
  - Indicative breakdown of estimated costs
  - Indicative timetable for EU support (for MAP)



# I. Legal basis: decision Annex III

## Annex III: General conditions

- *Article III.3 – Payments*
  - General provisions on payments
  - Eligibility of costs
  - Final amount of contribution
- *Article III.4 - Suspension, Reduction and Cancellation*
- *Article III.6 – Checks and Audits*
  - Access to site
  - OLAF
  - Court of Auditors





# **Part II:**

## **Budgetary life cycle of the programme and of the Action**



# II.A. Budgetary life cycle of the programme: indicative figures

**Financial Perspectives 2007-2013:**

**€7,922 billion for projects**

2007: 0,924

2008: 0,936

2009: 0,915

2010: 1,048

2011: 1,228

2012: 1,343

2013: 1,528



## II.A Budgetary life cycle of the programme: indicative figures

Year	MAP	AP	LGTT	Total
2007	795	112	10	917
2008	771	140	35	946
2009	775	80	60	915
2010	968	0	80	1048
2011	1043	80	105	1228
2012	1153	80	110	1343
2013	1314	114	100	1528
Total	6819	606	500	7925



## II.A Budgetary life cycle of the programme: indicative figures

### Indicative Budgetary Programme MAP

	2007	2008	2009	2010	2011	2012	2013	Total
<b>EU Budget</b>	795	771	775	968	1043	1153	1314	<b>6819</b>
<b>Allocated</b>	795	559	323	727	836	1060	1826	<b>6126</b>
<b>Difference</b>	<b>0</b>	<b>212</b>	<b>452</b>	<b>241</b>	<b>207</b>	<b>93</b>	<b>-512</b>	<b>693</b>



## II.A Budgetary life cycle of the programme: target dates

### 2007-2008 Instalments for AP & MAP

- Commitment and adoption process
  - ➔ December 2008: 140 AP and MAP decisions notified
- Payment process
  - ➔ November 2008 - January 2009: PF for all decisions



# II.A Budgetary life cycle of the programme: indicative deadlines

## 2008 Annual Programme

- **December 2008:** Closure of adoption process
- **January - March 2009:** Negotiations
- **April - May 2009:** Notification process
- **June 2009:** Payments of pre-financing



## II.A Budgetary life cycle of the programme: target dates

### 2009 Instalments for MAP

- **March 2009:** ASR years 2007-2008
  - *basis for further annual funding and prefinancing*
- **March - May 2009:** analysis and decision-making
- **June 2009:** receipt cost claims for 2007-2008 interim/final payments



## II.B Budgetary life cycle of the Actions

- **Actions from Annual Programme**
  - Pre-financing: 50%
  - Final Payment: 50%
  - Exceptional possibility of interim payments
- **Actions from Multi-Annual Programme**
  - Divided into annual instalments
  - Pre-financing: 50% of annual instalments
  - Chronological closure of annual instalments (50%)





## II.B Budgetary life cycle of the Actions

### For MAP only

Possible additional subsequent pre-financing after:

- Assessment of the Annual Status Report (actual eligible costs incurred over the previous period)
- Planned costs for future
- Availability of Community funding
- In any case, no more than 3 open pre-financing
- Granting of additional funding



# Example MAP project: Adoption

- **BUDGET ALLOCATION**

	2007	2008	2009	2010	2011	2012	2013	Total
Budget	200.000	150.000	300.000	400.000	250.000	250.000	150.000	<b>1.700.000</b>
EU allocations: (20%)	40.000	30.000	60.000	80.000	50.000	50.000	30.000	<b>340.000</b>
Pre-financing (50% instalment)	20.000	15.000	30.000	40.000	25.000	25.000	15.000	<b>170.000</b>



# Example MAP project:

## 1st Reporting Period by 31 March 2009

**COVERING: 1 April 2007 - 31 December 2008**

### **Exceeding forecast of expenses**

- Reported costs for the period: €450.000
- Cumulated reported costs: €450.000

	2007	2008	2009	2010	2011	2012	2013	Total
<b>Budget</b>	200.000	150.000	300.000	400.000	250.000	250.000	150.000	1.700.000
<b>Eligible costs</b>	200.000	150.000	100.000					450.000
<b>% execution</b>	100%	100%	33,33%					14,71%
<b>Previous pre-financings</b>	20.000	15.000		-	-	-	-	35.000
<b>Payments to be made</b>	20.000	15.000	30.000	??	-	-	-	65.000



# Example MAP project:

## 2nd Reporting Period by 31 March 2010

**COVERING: 1 January 2009 - 31 December 2009**

**Below the budgeted expenses**

- Reported costs for the period: €50.000
- Cumulated reported costs: €500.000

	2007	2008	2009	2010	2011	2012	2013	Total
<b>Budget</b>	200.000	150.000	300.000	400.000	250.000	250.000	150.000	1.700.000
<b>Eligible costs</b>	200.000	150.000	150.000					500.000
<b>% execution</b>	100,00%	100,00%	50,00%	0,00%	0,00%	0,00%	0,00%	29,41%
<b>Previous Pre-financing</b>	20.000	15.000	30.000	-	-	-	-	50.000
<b>Payments to be made</b>			0,-	0,-	-	-	-	0,-



# Example MAP project: Closure Reporting Period by 31 March 2014

## Covering: 1 January 2013 - 31 December 2013

- Reported costs for the period: €250.000
- Cumulated reported costs (Start date - 31 December 2013): €1.600.000

	2007	2008	2009	2010	2011	2012	2013	Total
<b>Budget</b>	200.000	150.000	300.000	400.000	250.000	250.000	150.000	1.700.000
<b>Eligible costs</b>	200.000	150.000	300.000	400.000	250.000	250.000	50.000	1.600.000
<b>% execution</b>	100%	100%	100%	100%	100%	100%	33%	94%
<b>Previous Prefinancings</b>	20.000	15.000	30.000	40.000	25.000	25.000	15.000	170.000
<b>Additional Payments done</b>	20.000	15.000	30.000	40.000	25.000	25.000	- 5.000	150.000
<b>Total paid</b>	40.000	30.000	60.000	80.000	50.000	50.000	10.000	320.000



# Part III: Cost Claims



# III. Cost claims model

- Interim financial report
  - Harmonised reports (model presented)
- Final financial report
  - Harmonised reports (model presented)
- Deadlines
  - 1 year after the closure of the works
- Compulsory supporting documents
  - Certification of Member States



# **Part IV:**

## **Analysis of cost claims**





# IV. Analysis of cost claims

- Desk control
  - Harmonised financial reports
  - Electronic version
- Sampling
  - Communicated to the beneficiary
  - Answer accompanied by supporting documents:
    - Copy of invoices/others
    - Proof of payment
- Communication to the beneficiary with results
  - Payment information and delay for additional information



# IV. Audits and visits

- Audit objectives
  - Assurance given to the Authorising Officer / European Parliament
  - Improvements of financial report quality
- Typology of audits
  - Partially redirected to audits of systems
- On site visits: technical and financial
  - As from the reception of the final works notification
- Methodology / Work programme
  - Previously provided



# Part V:

## Past Problems



# V. Past Problems

## Eligible period

**Article II.2.1:** *start and completion date of the Action*

- **Problems encountered:**
  - Invoices include costs not incurred during eligibility period
  - Late requests for extension

### ☑ **Agency advice:**

- Ensure reliability and precision of ASR
- Use harmonised financial reports and appropriate monitoring



# V. Past Problems

## Implementation delays

**Decision articles:** *precise delays in implementing, reporting and executing actions.*

- **Problems encountered:**
  - Late presentation of costs claims, certifications and additional information requested
  - Late approvals and payments

### ✓ **Agency advice:**

- Ensure reliability and precision of ASR
- Respect of Decision clauses from both, the beneficiaries and the TEN-T EA



# V. Past Problems

## Eligible costs

**Annex III - Article III.3.7.1 (a-f):** *definition of eligible costs incurred during the eligibility period*

- **Problems encountered:**

- Costs declared unidentifiable and unverifiable
- No certification from the Member State

- ☑ **Agency advice:**

- Check the activities implemented during the eligible period
- Include the MS certification
- Ensure availability of supporting documents, calculations methodology and proof of payment (for sampling)



# V. Past Problems

## Indirect costs

**Annex III - Article III.3.7.3 (g):** *not identifiable as specific costs directly linked to performance of the Action*

- **Problems encountered:**
  - Confusion of administrative and running costs vs. indirect costs
  - Difficulties to justify and verify

### ☑ **Agency advice:**

- Identify the real direct costs (as much as possible)
- Use a justified flat rate for indirect costs



# V. Past Problems

## Human resources

**Annex III - Article III.3.7.3 (a)** *actual salaries + social security charges and other statutory costs*

- **Problems encountered:**
  - Use of budgeted amounts or commercial prices
  - Lack of supporting documents (contracts, time sheets, social security costs, salary slips, bank statements, etc)

☑ **Agency advice:**

- Use the actual costs
- Provide supporting documents
- Implement a “waterproof” time sheet system





# V. Past Problems

## Travel & meeting costs

**Annex III - Article III.3.7.3 (c)** *beneficiary's usual practices provided that they don't exceed the Commission scales*

- **Problem encountered**: Huge workload to provide and control all supporting documents

### ☑ **Agency advice:**

- Focus the EU contribution on more relevant, identifiable, justifiable and verifiable costs (for actions where very low impact of travel/meetings on the total costs)



# V. Past Problems

## Depreciations

**Annex III - Article III.3.7.3 (d)** *accounting rules, limited to the duration of the action*

- **Problem encountered**: Full costs declared

✓ **Agency advice:**

- Declare the costs in accordance with the accounting rules
- Provide solid justification that entitles different treatment



# Some conclusions

- Need for a better understanding and respect of rules
- Stick to the deadlines foreseen in the Decision.
- Utilise the flexibility of the programme's life cycle
  - Flexibility of MAP projects
  - Opportunities for mature actions
  - Annual follow-up of actions
- Simplify the process!
  - Encourage harmonised and/or electronic documents
  - Transparency on work methodologies and requirements
    - Better preparation of proposals
    - Easier negotiation of decisions
    - Better reporting and follow-up
    - Financial Guidelines under preparation
    - Creation of a FAQ for the TEN-T EA website



# Thank you



**TENT-AGENCY@ec.europa.eu**  
**ec.europa.eu/tentea**

