

## CO-OPERATION PROGRAMME

# INTERREG "GREECE – REPUBLIC OF NORTH MACEDONIA 2014-2020"

## First Level Control

*16.05.2022*

## IPA Procurement rules

Procurement and Grants for European Union external actions – a Practical Guide. Document providing guidance and formats for procurement procedures, including IPA pre-accession funds. The manual is based on the EU Financial Regulation and the Common Rules and Procedures for the Implementation of the Union's instruments for External Action (Council Regulation 236/2014)

<http://ec.europa.eu/europeaid/prag/>

## IPA Procurement rules

### The rules of nationality and origin

The usual rule of nationality, applicable on the level of subsidy contract states that “the beneficiaries of grants comply with the eligibility rules for public procurement foreseen in the respective regulations for different cooperation programmes...” – meaning that grants are made to final beneficiaries according to programme rules and territorial eligibility for applicants usually specified in the programme documents, such as calls for proposal at programme level.

The nationality of experts and other natural persons employed or legally contracted does not have to follow the nationality rules. Therefore, unless otherwise provided for in the applicable financing decision/agreement, experts recruited or otherwise legally contracted by an eligible contractor / sub-contractor, may be of any nationality.

All supplies purchased under a procurement contract financed under the EU budget shall originate from an eligible country under the IPA II rules.

*However, according to the CIR, when the value of the supplies to be purchased is below 100.000 € per purchase, the supplies do not have to originate from an eligible country .*

## IPA Procurement rules

### Derogation from the Rule of Origin

As indicated in the previous point the general derogation applies for purchases under 100.000 €.

For the supplies higher than 100.000 € a derogation from the rule of origin can be approved in exceptional cases. The derogation needs to be done prior to publication of tender and indicated in the procurement notice.

## IPA Procurement rules

### Visibility

Unless otherwise requested or agreed by the European Commission, all EU partners, whether they may be contractors, beneficiaries or entities managing funds on behalf of the European Commission, must ensure the visibility of EU financing. National rules might require additional visibility arrangements and they have to be taken into account.

## IPA Procurement rules

### The rule on the language to be used

It is recommended to use English for secondary procurement procedures above 20.000 €. For single tender procedures below 20.000€ it is allowed the use of the official national languages. The use of English could contribute to efficiency of the programme, standardization of the approach and enable comparison between procedures.

Similarly as the tender documentation also the tenderers offers should be as a general principles in English. For smaller size tenders of below 20.000€ the tendering in the official national language is an acceptable option.

## IPA Procurement rules

### Selection and award criteria

Selection criteria differ between different types of contract. They are as follows:

- **Service contracts.** The offer which provides the best value for money is awarded with the contract. Normally the ratio 20% price and 80% technical quality is used.
- **Supply contracts.** The contract shall be awarded to the cheapest technically compliant offer.
- **Works contracts.** The contract shall be awarded to the cheapest technically compliant offer.

## IPA Procurement rules

### Open and restricted procedure

The open procedure is applicable for supply and works contract. The procedure follows one step process where open invitation for submission of tenders is issued either on national and international level.

In 'restricted' calls for tenders, all economic operators may ask to submit a tender but only those who satisfy the selection criteria may be invited to do so. Restricted procedure applies only in case of service contracts and is in a way similar to open procedure in supply and works. The procedure follows two step process. In the first step a public invitation for submission of express of interest is issued. In the second step the initial offers are reviewed and a short-list of candidates is formed. The short-listed candidates are invited to submit full proposal.



## IPA Procurement rules

### Simplified procedure (formerly known as "competitive negotiated" procedure)

Simplified procedure applies to service, supply and works contracts.

Under the simplified procedure, the Beneficiary (in its role of Contracting Authority) invites candidates of its choice to submit tenders. At least 3 competent candidates should be invited. The procedure could be implemented using simplified tender documents in case of service and supply procedures. At the end of the procedure the Contracting Authority selects the tender which offers the best value for money in case of service tenders and the cheapest technically compliant offer in case of supplies or works tenders.

## IPA Procurement rules

### Orders on the basis of single tender

Orders on the basis of single tender apply to service, supply and works contracts.

Under the single tender procedure the Project Beneficiary (in its role of Contracting Authority) in principle invites one candidate to submit offer. Offers are normally submitted using simplified tender documents. At the end of the procedure the Contracting Authority checks whether the single offer corresponds to the requirements in case of services or is technically compliant in case of supply and works tenders.

*The Programme recommends that at least 3 candidates should be invited in the case of the single tender procedure.*

## IPA Procurement rules

### Financial thresholds and related tendering procedures

SERVICE CONTRACTS	<p>≥EUR 300 000 International restricted or open tender procedure</p>	<p>&lt; EUR 300 000 but &gt; EUR 20 000 - Framework contracts or - Simplified procedure</p>	<p>≤ EUR 20 000 Single tender</p> <p>For service and supply contracts, a payment may be made against invoice without prior acceptance of a tender if the expenditure is ≤ EUR 2 500</p>
SUPPLY CONTRACTS	<p>≥EUR 300 000 International restricted or open tender procedure</p>	<p>&lt; EUR 300 000 but ≥EUR 100 000 - Local open tender procedure</p>	<p>&lt;EUR 100 000 but &gt; EUR 20 000 - Simplified procedure</p>
WORKS CONTRACTS	<p>≥EUR 5 000 000 - International open tender procedure or - International restricted tender procedure</p>	<p>&lt; EUR 5 000 000 but ≥ EUR 300 000 Local open tender procedure</p>	<p>&lt; EUR 300 000 but &gt; EUR 20 000 - Simplified procedure</p>

## FLC Guidelines and Verification Procedures

Verifications shall ensure that the expenditure declared is real, that it is linked to the project, that the products or services have been delivered in accordance with the Subsidy Contract, that the applications for reimbursement by the beneficiary are correct and that the operations and expenditure comply with European Union and national rules. They shall include procedures to avoid double-financing of expenditure with other European Union or national schemes and with other programming periods.

The controllers must verify that the co-financed products and services have been delivered and that the expenditure declared by beneficiaries for operations has actually been incurred and complies with European Union and national rules.

## FLC Guidelines and Verification Procedures

### First Level Controllers shall:

- verify that the expenditure incurred by the controlled beneficiary is within the framework of the specific approved project
- verify the content of the physical and financial report, by assessing beneficiary's provided information/data, and/or carrying out interviews for clarifying or supplementing data with additional elements
- fill in the Verifications Control Checklist
- sign the "Certificate of Verified Expenditure"
- write down potential findings in detail and report them to the MA

The controller verifies that all required documents are in place, and proper use of funds exists. When certain provisions are not respected, the controller must provide the appropriate recommendations and relevant justifications, referring clearly to the rules which were violated. Then he/she signs the Certificate of Verified expenditure.

## FLC Guidelines and Verification Procedures

Carrying out the verification, the controllers shall take into account:

- Programme documents, e.g. the Call for proposals, the Programme Manual, the Memorandum of Understanding (where available), the website of the Programme and/or other documents setting out the requirements for first level control.
- data on the project, e.g. the approved application form and possible amendments, the Subsidy Contract, the Partnership Agreement etc.
- data on the Management and Control System
- data on legislation, regarding the beneficiary, e.g. the implemented national law and the beneficiary's regulations
- data on the beneficiary and the project, e.g. beneficiary's procedure, previous certifications etc.
- National rules on competition, state aid and public procurement
- European Union documents

## FLC Guidelines and Verification Procedures

The compliance of expenditure to the project requires the following assessment:

- The declared expenditure is described in the approved application form and is distributed to the respective categories.
- The declared expenditure must be eligible under the referred category. If it is not, then the Controller will not verify it. The beneficiary has sole responsibility to take any action to rectify by moving it to the appropriate category of expenditure.
- The categories of eligible expenditure per beneficiary are respected.
- Expenditure is properly allocated to work packages and respective categories of eligible expenditure.

## FLC Guidelines and Verification Procedures

In order to verify the expenditure, the following are taken into consideration:

- The existence of the foreseen supporting documents in accordance to Partner State legislation, e.g. invoices, dispatch notes, discharge notes, payrolls, checks, bank extraits, bank deposits, remittances and other bank documents verifying that the expenditure has been realized and paid. Expenditure is not verified when it is not accompanied by supporting documents.
- In case expenditure is paid in cash, accounting data from the cash register and the cash transactions shall be provided.
- Whether the expenditure has been realized within the reporting period for verification.
- Whether there are deliverables for the respective expenditure.



## FLC Guidelines and Verification Procedures

### Accounting report of the expenditure

It is examined whether all expenditure is recorded and coded at beneficiary's accounting system, in order to be recognizable either in a separate accounting system or there is sufficient accounting code subject to national accounting rules. Expenditure that is not registered in the accounting unit of the project is not verified, except if the recording is not possible, e.g. general costs, staff cost etc.

## FLC Guidelines and Verification Procedures

### No double funding of the declared expenditure

The control aims also to ensure that the declared expenditure is not funded or has not been funded by other national or European Union source. In order to verify that there is no double funding:

- the original documents issued shall bear a stamp with the acronym of the project, the Programme name and in case of expenditure shared by other projects or Programmes, the eligible amount too. In case of depreciation cost, a copy of the invoice of the purchase and the accounting registration in the accounting books shall be provided.
- the expenditure shall be registered in a separate, for the project, accounting unit
- the acronym and the cooperation Programme must be reported in the public contracts

## Eligibility of expenditure

### Staff costs

It is examined whether expenditure regarding staff working for project activities corresponds to that work; additionally, whether the approved budget corresponds to the expenditure. The following are examined:

#### A. Real costs

- Whether there is a decision by the beneficiary's administration specifying the working team, the allocation of work, the working hours, the project manager and the person in charge for deliverables.
- The existence of monthly timesheets, which prove the actual hours worked, the work venue and the description of each employee's work
- Total hours worked per month, for each employee. Information on all other co-funded projects must be included
- Reports on the produced, by the staff, work during the respective period
- Signed payrolls or payslips or proofs of bank deposits or other supporting documents

## Eligibility of expenditure

### Staff costs

#### **B. Simplified cost option**

According to article 43 of Reg. (EU) 447/2014, the provisions of article 19 of Reg. 1299/2013 shall apply. Specifically, staff costs are calculated as a flat rate and cannot exceed the percentage of 20% of the direct staff costs of the operation.

The Controller should examine whether there is a decision by the beneficiary's administration specifying the working team (list of project staff) within the partner's organization, and function in the project (necessary for reporting the expenditures for travel and accommodation). No further justification or supporting documents is required from the project partners to justify the staff costs declared.

## Eligibility of expenditure

### Travel and accommodation

It is examined whether the expenditure is linked to the project, if it is in the approved application form and the way it has been paid. For the documentation of expenditure of co funded project paid for travel and accommodation the following are examined:

- Invitation and/or minutes, presenting the time, duration, venue as well as signed list of participants for all the days of the meetings
- Decision for travelling according to the institutional framework of the beneficiary
- Travel report/Report on the travel expenditure according to the institutional framework of the beneficiary
- The beneficiary's regulation on the level of the subsistence allowances, kilometre allowance for using private car, etc. according to the in-force legislation on each participating country

## Eligibility of expenditure

### Travel and accommodation

- Tickets, invoices of tickets and supporting documents for payment of tickets, toll invoices, invoices when using taxi or when renting a car or kilometre allowance when using private car. In case of travelling by plane, boarding pass is also required
- The use of taxi or the rent of a car shall be justified according to the in-force National legislation on each participating country
- Hotel invoices and supporting documents for hotel payment only for their stay (room service is not included) and for those travelling who should be mentioned in the hotel invoice by name. In case voucher is issued a copy of it should be submitted with the travel agency invoice
- Subsistence allowances (only for staff) according to the institutional framework of the beneficiary

## Eligibility of expenditure

### Travel and accommodation

- When field work or similar activities are foreseen, these should be explicitly described in the approved application form and prior to their commencement the beneficiary shall approve a total plan (programme) for this purpose. In any case the results of the field work should be kept and should be attached to the travel report
- In case of travelling outside the eligibility area of the Programme the decisions of the approved bodies of the Programme justifying these trips
- In case beneficiaries or participants from countries outside the EU travel to the eligible area of the Programme in order to participate to events, justification from the responsible person of the beneficiary or the responsible person for the activity for their participation

## Eligibility of expenditure

### Travel and accommodation

In case of public procurement for the organisation of workshops, conferences, meetings etc. the following are also examined:

- Photographs in case of workshops, conferences etc.
- Contracts and documents for the award procedure (call, tenders, evaluation, decision etc.)
- Invoices which should state the project and the Programme
- Certificate of acceptance of products and services
- Documents of payment



## Eligibility of expenditure

### Publicity, information, promotion

It is examined whether the expenditure is linked to the project, if it is included in the approved application form and the way it has been paid. For the documentation of expenditure of co funded project paid for publication, information and promotion the following are examined:

- Contracts and documents for the award procedure (call, tenders, evaluation, decision etc.)
- Certificate of acceptance of products and services
- Invoices and dispatch notes which should state the project and the Programme
- Documents of payment
- Deliverables of the services offered
- Website of the Programme
- Invitation and agenda, Minutes of meetings
- Signed list of participants and Photographs of the events

## Eligibility of expenditure

### Equipment

The following elements are examined:

- Contracts and documents of the award procedure are in place (call, tenders, evaluation, decision etc.)
- Certificate of product approval
- Product Registration in the accounting system
- Invoices with Serial Number of equipment.
- Documents of payment
- Licenses to set and operate the equipment, where required.

## Eligibility of expenditure

### External experts

It is examined whether the expenditure is linked to the project, if it is in the approved application form and the way it has been paid. For the documentation of expenditure of co funded project paid for external experts the following are examined:

- Contracts and documents for the award procedure (call, tenders, evaluation, decision etc.),
- Receipts or invoices which state the project,
- Deliverables (any proof of accomplished work) and certificate of acceptance of delivered services,
- Documents of payment,
- Photographs in case of workshops, conferences and seminars.

## Eligibility of expenditure

### Preparation costs

Preparation costs must follow the special eligibility rules set out in the Programme documents, e.g. Call for proposals. Preparation cost is eligible if it has been realised between 1 January 2014 and the date of submission of the Application.

## Eligibility of expenditure

### Office and Administrative expenditure (Overheads)

It is examined whether the expenditure is related to the project, is included in the approved application form, and follows the cooperation Programme rules. For the documentation of direct expenditure, the following are examined:

- invoices, receipts and documents of payment.
- description of the methodology and the basis for allocation of overheads (where required)

In case of indirect expenditure (article 68, Reg. 1303/2013), it is examined the documentation of methodology for the allocation. Additionally, it is examined if the flat rate (till 15%) is defined in the call for project proposals and is correctly applied. In this case, no further justification or supporting documents are needed from the project partners to justify the overheads declared.

## Eligibility of expenditure

### Public works

It is examined whether the expenditure is related to the project, it is included in the approved application form and the way of payment. It is also examined whether the required design studies and licenses were submitted. The following documents are examined:

- Contracts and award procedure documents (call, tenders, evaluation, decision etc.),
- Certificate of acceptance with associated documentation (works diaries etc.),
- Invoices, contractor's accounts, summary tables of works,
- Documents of payment,
- The required by the national legislation on environment licenses, is respected,
- In case of public projects implemented in house, diary of works,
- Evidence of delivered works (Photographs, work site diaries, etc.),
- Any additional documents, according to national legislation and programme rules.

## Eligibility of expenditure

### Compliance

- Compliance with the public procurement rules
- Compliance with the European Union policies
- Respect of the European Union rules on publicity in all documents and deliverables of the beneficiary
- Environmental legislation
- Equality and non-discrimination

## National legislation

### Laws and bylaws

- VAT Law and VAT Rulebook
- Trade Company Law
- Law on Corporate Income Tax
- Law on Personal Income Tax
- Budget Accounting
- Non-for-profit and modified cash basis of accounting
- Public Administration (Public procurement law, Per-diems, Labor law etc.)
- Law State Servants
- Labor law
- Law on obligations



## Challenges and common mistakes in expenditure reporting

- Inconsistency in the reporting of costs for staff engaged in the project according to the project application (budgeted by hours, months, percentage of working hours, etc ...)
- Inadequate documentation to show the time spent in the project
- Inadequate documentation on the manner of engaging the persons in the project
- Payment of additional benefits to already employed persons within the LP / PP (persons who are reported on a salary and through the project receive additional benefits)
- Inadequate supporting documents related to events within the project activities
- Inadequate supporting documentation for program travel
- Reported travel expenses for persons who are not part of the project team (as a rule, travel expenses, per diems and similar expenses should apply to the project staff)
- Inadequate documentation for fulfillment of services, procurement of funds, receipt of completed works, etc. (there is no appropriate "deliverable", "acceptance protocol", etc.)

## Challenges and common mistakes in expenditure reporting

- Incorrect calculation of the amount of per diems for business trip (national legislation is not taken into account, but goes according to the budget of the project). When calculating the amount of per diems, care should be taken who the implementer is (whether it is a state institution or not)
- Wrong application of the conversion rate when reporting
- Recording costs that are not in line with the project application, budget and subsidy agreement
- Improper application of the PRAG rules and procedures
- Insufficient transparency in announcing tenders, non-compliance with the minimum deadlines for preparation of bids, inconsistency in the dates of the tender documentation, lack of binding documents necessary for evaluation, etc.)
- Difficulties in recording and reporting costs in situations where certain conditions are defined when choosing a supplier, and the same conditions are changed during the implementation of the activity (for example, procurement of accommodation and catering services for 30 people, and 20 people appeared at the event )