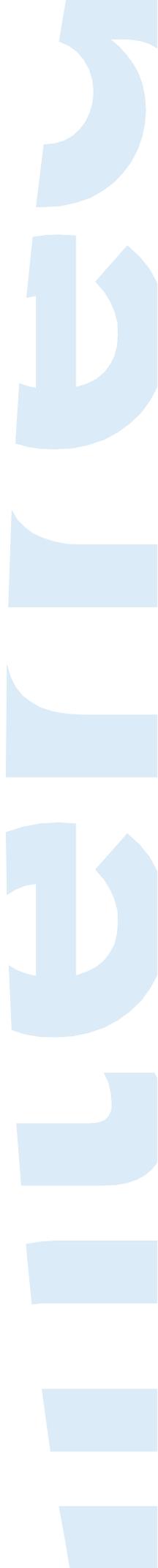# FIRST LEVEL CONTROL MANUAL

Version 3.1 (7.2.2017)

European Union
European Regional
Development Fund

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1. Introduction

The Central Baltic Programme 2014-2020 (hereinafter referred to as the programme) is a cross border co-operation programme for regions from Estonia, Finland including Åland, Latvia and Sweden. The Regional Council of Southwest Finland (hereinafter referred to as Regional Council) is designated to act as the Managing Authority (MA) and Audit Authority (AA).

The MA has set up the Joint Secretariat (JS) to support the MA in the implementation of the programme. The JS is commissioned by the MA to assess project ideas, support projects in their day-to-day project management, monitor the implementation of the projects and make payments to the projects.

This First Level Control (FLC) Manual has been written for people performing first level control functions (the controllers). It provides information and guidelines for the controllers on the minimum requirements of the FLC process and on the overall scope of the controller's work. The FLC Manual must be read together with the Programme Manual, which contains crucial information about the procedures, systems and rules of the programme. In addition, the Programme Document of the Central Baltic Programme 2014-2020 Cooperation Programme gives information on matters of general management and implementation of the Programme. Additional guidance can also be found in the Practical Guides which are listed in the Programme Manual.

The Commission Guidance document on management verifications to be carried out by Member States on operations co-financed by the Structural Funds, the Cohesion Fund and the EMFF for the 2014-2020 programming period should also be taken into account by the FLC.

In accordance with eCohesion requirements, the programme has set up an eMonitoring System (eMS) for all communication between beneficiaries and programme bodies. Project applications will be received in the eMS and all work and communication with approved projects will be done in the eMS. This includes the verification of project reports.

2. First Level Control and its legal basis

2.1. General principles and purpose

The legal basis for the FLC work comes from the Common Provisions Regulation, Regulation (EU) No 1303/2013, where Article 125(4) states that the MA shall "verify that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid out and that it complies with applicable law, the operational programme and the conditions for support of the operation".

Based on the decision of the participating Member States the MA shall not carry out the verifications itself. Based on regulation for European Territorial Cooperation, Regulation (EU) No 1299/2013, Article 23(4) the Member States shall designate a body responsible for carrying out the verifications in relation to beneficiaries on its territory. The people carrying out the verifications are referred to as "controllers".

The verifications take the form of administrative checks, performed for each project payment claim, and on-the-spot checks.

The FLC is central to the programme implementation and management. It is the best place to identify and correct ineligible expenditure. Higher levels of control (e.g. Second Level) are fundamentally quality checks on project implementation on sample basis.

The FLC verifications are done for each partnerreport. For each reporting period the partner has to compile the report on its expenditure and send it with the necessary documentation to the national FLC. The costs can be reported to the JS only after FLC verification.

The main aim of the controls is to guarantee to the MA and the project itself that costs co-financed under the programme are accounted for and claimed in accordance with the legal and financial provisions of the Subsidy Contract, the approved application, the Programme Manual, national rules and EC regulations.

The FLC should check every item of expenditure entered in the project accounts, the supporting documents (such as time sheets, invoices etc.) and the costs per budget lines. Professional scepticism should be used when doing the checks. The controllers should look at key documents in the audit trail to make sure that the costs claimed by the project partner are real costs and that the activities have taken place and that all eligibility rules are being followed. In addition, the controller should verify that the required national co-financing has accumulated as described in the approved Application Form. The controller should also verify that the ERDF rate used corresponds to the rate specified in the application form (use two decimals only).

The audit trail must allow controllers and auditors to enter the accountancy of the project cost centre of the LP/PP and to be able to trace back all declared expenditure to the original invoices (or equivalent documents). It must also be possible to verify the transfer of ERDF funds from the LP to the final beneficiaries according to the partnership agreement, except for the projects' first Project Progress Report (PPR) (when no funding has been received yet).

As the MA bears the overall responsibility of programme implementation, it needs to obtain assurance that the controls have been carried out properly and that beneficiaries are treated equally. To achieve this, the MA organises regular meetings with the FLC's to discuss open issues, programme rules and any difficult cases. Participation in these meetings is highly recommended. The MA is also responsible for drafting guidance, procedures and checklists for the use of the FLC's. The MA has the possibility to conduct sample checks on the FLC controls and their quality.

2.2. Systems set up in each Member State/Åland

The participating Member State/Åland have opted for different control systems: Estonia, Latvia, Sweden and Åland have a centralised system of control through a nominated public administration body. Finland uses a decentralised system through internal or external controllers proposed by the LP/PP and approved at national level.

As the FLC validates both the eligibility of expenditure and different project activities, the officials in charge should be competent in different fields related to finance and project management. The controllers should be clearly independent from project activities and they should possess good competence at least in:

- international and national accounting standards and accountancy in general
- applying the regulatory framework of the Structural Funds, national legislation and programme rules
- project management in order to be able to compare the proposal reported in the application form with the developed activities and to see if the implementation is in line with the project proposal approved
- appropriate knowledge of English language in order to understand programme documents and requirements

Country	Assigned control body and contact information
Estonia (centralised)	Estonian Ministry of Finance Regional Development Department Interreg Programmes Supervision Unit Endla 13, Tallinn 10122, Estonia Phone: +372 611 3558 Ms Nele Ivask Head of Interreg Programmes Supervision Unit nele.ivask@fin.ee www.fin.ee

Finland (except Åland) (decentralised)	The beneficiary (project partner) selects a controller (an independent auditor or audit company) who will be authorized by the Finnish Ministry of Employment and the Economy based on the request made by the beneficiary. The authorization will always be given in written form.
	The Finnish Ministry of Employment and the Economy has given more detailed instructions for the project partners on the practical implementation of the decentralised FLC system implemented in Finland, issued on the Ministrys's and the programme's homepage (in Finnish).
	www.tem.fi/eay/valvonta
	Qualification criteria: Controllers (auditors) must be a Charted Public Finance Auditor or Auditing Cooperation authorized by the Board of Chartered Public Finance Auditing (JHTT) or an Authorized Public Accountant or Auditing Corporation authorized by the Central Chamber of Commerce (KHT) or an Authorized Auditor of Auditing Corporation authorized by a local Chamber of Commerce (HTM).
	For further information on the Finnish system and on the certification procedure please contact the Finnish Ministry of Employment and the Economy:
	Ministry of Employment and the Economy Regional Development Unit Tuula Manelius P.O. Box 32, FI-00023 GOVERNMENT, Finland
	Phone: +358 010 606 000 Official e-mail: kirjaamo@tem.fi E-mail: tuula.manelius@tem.fi
	For general ETC related issues, send email to: eay@tem.fi
	NB! In Finland, FLC materials (Control Report, DVEE and Checklist) are an essential part of the verifications done for national state co-financing.
Latvia (centralised)	Ministry of Environmental Protection and Regional Development Investment Supervision department Peldu 25, Riga, LV-1494 Phone: +371 66016734, +371 67820442 Mr Artis Lapins Director of Department artis.lapins@varam.gov.lv www.varam.gov.lv
Sweden (centralised)	Tillväxtverket Joint Unit for Regional Structural Fund programmes Box 3034 SE-831 03 ÖSTERSUND Phone: +46 8-681 91 00 http://www.tillvaxtverket.se
Åland Islands (centralised)	Ålands landskapsregering, Government of Åland Department for Administrative Affairs PO 1060, AX-22111 Mariehamn, Åland Phone: +358 18 25 000 registrator@regeringen.ax www.regeringen.ax

2.3. Transmitting information from the FLC to the MA

Each FLC body is asked to submit the Questionnaire on the FLC system to the MA by 31 January each year. In case no changes have been made to the system during the previous year, the FLC body is asked to confirm this in writing by sending an e-mail to the Head of MA.

The Questionnaire information will be used to assign user rights to the eMS. Each user is personally responsible for all work carried out under this user name. The password and username qualify as a signature of the work carried out. The Questionnaire shall also indicate the contact person in each FLC body. This person will be given the right to assign FLC users to project partners.

Furthermore, the Questionnaire shall contain information about each person working as controller for the Central Baltic Programme 2014-2020 projects.

3. The control process

3.1. Overview of the process

After a project is approved by the programme Steering Committee a Subsidy Contract is concluded between the MA and the LP. A copy of the Subsidy Contract, the approved project application and annexes to the application will be available in the eMS. The FLC gets the user rights to the eMS from the JS IT officer.

Project implementation and reporting is divided into six-month periods. The period is counted from the beginning of the project and projects therefore have different reporting periods.

15 days after the reporting period has ended, each partner shall submit a payment claim to its national FLC through the eMS. The partner must submit its supporting documents via eMS.. According to eCohesion requirements the supporting documentation needs to be uploaded to eMS. If a project is huge in its reporting and the amount of attachments is vast or if the partner has no scanner, the two options in such cases are either that the partner submits the data to the FLC and the FLC uploads the documents to eMS; or that the FLC applies sampling. In case of sampling the partner adds the costs to eMS as budget lines but does not upload the attachments. The FLC requests attachments based on their sampling. The sampling must follow the requirements set out by the MA later in the FLC Manual.

In all cases, the supporting document is stored in the eMS temporarily. The FLC has three months for its verification process. If questions are sent to the partner, the clock stops.

Once all partner verifications have been done, the LP will submit the complete project progress report to the JS. The JS will perform checks on the content of the project and its implementation and on the financial progress. Once all checks have been completed the JS will make a payment to the project. From the date of submission of the project progress report, the JS has 60 working days to complete its checks and make a payment to the project.

All payments will be made to the Lead Partner. The Lead Partner must forward the ERDF funding to partners without delay.

Technical Assistance (TA) reporting follows the same procedure as projects. The TA reports have a slightly different structure than project progress reports. TA reports from the Host Organisations handling should be prioritised by the FLC.

The reporting procedures have been defined in more detail in the Programme Manual.

The first level control process will check the compliance of the following rules by the project partners:

- Public procurement;
- State aid rules;
- Publicity rules;

- Sound financial management;
- Compliance with the requirements about equality between men and women and non-discrimination;
- Sustainable development;
- Double financing;
- The generation of revenue

The basic control on these issues is to take place during the FLC and the respective result is to be provided in the Checklist and Control Report.

3.2. FLC administrative checks

The main task of the first level control is to ensure that the products and services paid for have been delivered and costs paid out as well as compliance with all relevant regulations.

It must be possible to clearly identify which expenditure has been reported in the context of the project and to exclude the possibility of reporting the same cost twice (e.g. in two different budget lines, reporting periods, or projects/funding schemes). The LP/PP must open an accounting/cost centre in the organisations accounting system for the project costs in order to separate the costs from the standard bookkeeping of the organisation. Project costs should be visible in project accounting before they can be included into partner progress reports.

FLC is done based on a general ledger, or an equivalent. The general ledger must show all project transactions during the reporting period.

All partner progress reports submitted by the PPs and the LP are subject to a desk-based administrative check. Support documentation may include the following:

- Bookkeeping list/General ledger
- Copies of the original invoices and other accounting material (can be in electronic form)
- Proof of payment
- Explanation of the depreciation method used (for the first depreciation of the item in question)
- Certification that VAT is not recoverable if VAT is included in the project costs and the certification has not been submitted earlier(can be submitted electronically)
- Calculation methods, rationale and documentation for the value of any equipment or machinery to be used by the project
- Adequate documentation for payroll costs:
  - Copies of employment contracts or similar
  - Time sheets of the part-time employees reporting on an hourly basis
  - Salary slips of the full-time / part-time employees
  - Payment orders/bank statements for the paid out salaries
- Copies of project related contracts, public procurement documents and related material to verify purchasing processes.

- Specimens of booklets, outputs etc. which are produced by the project/ programme
- Participant lists with signatures of project related activities (seminars, working groups, meetings etc.).

NB! The list is not exhaustive and cannot be applied to all reports directly!

The task of the controller is to confirm the information contained in these accounts, using tests enabling sufficient evidence to be obtained to give a reasonable opinion on at least:

- the correctness of the partner progress report
- that expenditure relates to the eligible period and has been paid out during the reporting period
- that the expenditure relates to an approved project
- compliance with the approved financing rate
- compliance with the relevant eligibility rules and Community and national rules on public procurement, State aid, environment, sustainable development, publicity, equal opportunity requirements, non-discrimination)
- the reality of the project, including physical progress of the products/service and compliance with the terms and the conditions of the Subsidy Contract (performance indicators),
- the expenditure declared and the existence and compliance of the audit trail
- the separate accounting system or an adequate accounting code for all transactions relating to a project.
- adequacy of supporting documents and the existence of an adequate audit trail
- for simplified cost options: that the conditions for payments defined in the agreement have been fulfilled
- that De Minimis rules have been respected (In the Central Baltic programme only De Minimis rule is applied)
- that the information and publicity requirements of the EU and the programme have been respected
- that the principles of transparency, equal treatment and effective competition have been complied with

In case the VAT status changes from what has been approved during the application procedure, a new certification signed by the tax authorities is required, verifying that VAT is a final cost for the partner.

When one partner organisation is involved in more than one project it should be subject to special checks so as to avoid double financing of activities.

It is worth noting, that boarding passes are not a required for the audit trail or as proof of delivery (as they today in practice do not prove delivery of the journey). Proof of delivery is in the first instance expected to take place by other means.

If the project has filled the reporting materials inadequately, documentation is missing or instructions have not been followed by project partner (e.g. timesheets have not been signed) FLC should ask project partners to correct the mistakes or clarify unclear issues.

In case ineligible cost items or deficiencies are found, they must be deducted by the controller and these must be documented in the eMS as a deduction and linked explanation in the comment field. Also the FLC Report section should reflect the deductions and findings. The outcome of the national FLC process cannot be appealed. The appeal rights and relevant instructions of the LP are described in the Subsidy Contract. The final payment decision of the MA is appealable.

Each national controller performs the first level control in the eMS and the verification shall cover every single cost item. The eMS includes a Control Report, a checklist and an FLC certificate to guide the work of the FLC. These documents are the documents reporting directly on the results of the FLC and are there of utmost importance to the MA/JS. The MA is responsible for the overall quality of the programme's control systems. Controllers will also fill in the FLC checklist provided by the national FLC body or the MA. The checklist may be filled in in the national language and translations provided to the JS/MA if requested.

Once the check has been completed, the controller will submit its verification of the partner progress reporting in the eMS.

Each national controller is obliged to validate the expenditure within a period of three months after the documents have been received from the PP/LP. In case this is not possible, the controller shall without any delay inform the PP/LP in question as well as the MA.

The verification should cover all expenses. Management verification of 100% of the payment claims is required by the regulations and thus strongly recommended by the MA. Taking into account that the programme has chosen simplification in the form of flat rates for office and administration costs the number of invoices is expected to reduce considerably from the programme 2007-2013 period. Should the national FLC opt for a check based on a sample, the sample needs to be based on a risk assessment and complemented with a random sample. If errors are identified in the sample, the testing should be extended to all similar costs to determine if the error is of a general nature. The sampling method should be documented ex-ante, describing and justifying the sampling method. A record shall be kept of the projects selected for checks and provided in the eMS. The MA shall be informed of any sampling used beforehand.

3.3. On-the-spot checks

According to the Article 125(5) and (6) of Regulation (EU) No 1303/2013 it is obligatory to carry out on-the-spot checks on the projects. On-the-spot checks apply also to the TA costs.

On-the-spot check means that the controller will actually visit the project and verify that certain activities, purchases of services and products as well as investments have actually taken place in accordance with the approved application during the implementation, and that the related regulations have been respected.

The frequency and coverage of on-the-spot checks should be proportionate to the amount of ERDF support and the level of risk of each project. However, the programme expects at least 50% of the projects to be on-the-spot-checked. On-the-spot checks may be carried out on a sample basis. The sample should be drawn by each national FLC body. The intensity, frequency and coverage of the checks depend on the complexity of the project, the amount of ERDF funding, the level of risk identified, the extent of administrative desk checks, and findings of the Second Level Audit. The

sample should be risk based and complemented with a random sample. Projects with infrastructure investments should be checked several times, during the different phases of the project implementation. When one partner organisation is involved in many projects at least one of the projects should be on-the-spot checked.

In general following aspects are to be included in the on-the-spot checks:

- The reality of the operation
- Delivery of products and services in full compliance with the approved application
- Physical progress
- Compliance with Community and national rules on publicity, public procurement, equality between men and women, non-discrimination and environmental issues in relevant cases
- Accuracy of all information provided by the beneficiary regarding physical and financial implementation of the operation

The checks should usually be performed during the project implementation. The checks should be planned well ahead in order to time them in the most effective way, when the project is already well under way of being implemented.

The controllers must state the date of the on-the-spot checks, describe the checks performed and report any relevant findings, results and recommendations in the specific on-the-spot check list.

3.4. Documentation of the checks

The FLC checks are to be documented in the eMS by selecting in the FLC report the type of check. When "on-the-spot" is selected, additional questions will appear, asking to summarise the main findings from the check. Irregularities identified in the course of the verifications should be recorded and all corrective and/or follow up actions documented. Follow up actions might include the submission of an irregularity report and/or a proposal for recovery of co-financing. On-the-spot findings are also stored in the eMS.

The Control Reports, programme checklists and FLC certificates are saved in the eMS as part of the verification process.

3.5. Use of the eMonitoring System

The FLC work is conducted in the eMonitoring System (eMS). The eMS is a monitoring system developed with the Interact programme and ETC programmes and it builds on a set of Harmonised Implementation Tools for ETC programmes. The eMS is used by more than 30 programmes in EU. The eMS has been created to serve the needs of ETC programmes more widely, wherefore some features of the system are not applicable or used by the Central Baltic programme.

User rights to the eMS will be granted by the MA once the MA has received the names of the relevant controllers from the updated Questionnaire or, in the case of Finland, from the list of certified controllers.

The user rights are personal and the user is responsible for all work done under the user name. The user name and password equals a signature. Therefore documents do not have to be printed, signed and sent separately.

The national FLC body will have the right to assign partners from their country.

FLC assignment

This is the process of assigning FLC users to project partners. Each project partner should have an FLC assigned to in eMS before the first partner report is submitted to FLC.

To do this, the FLC assigning unit can access a table which shows all project partners from the country for which this user has the right to assign FLC (i.e. Austria in the example below).

Figure: Assigning FLC institutions and users to project partners

The FLC assigning user first select an institution from the dropdown list 'FLC institution'. Naturally only institutions that were created in the previous step are available now in the drop-down.

Then – by pressing 'assign user- individual FLC user(s) can be assigned. Again only FLC users that were associated with the FLC institution in the previous step are shown.
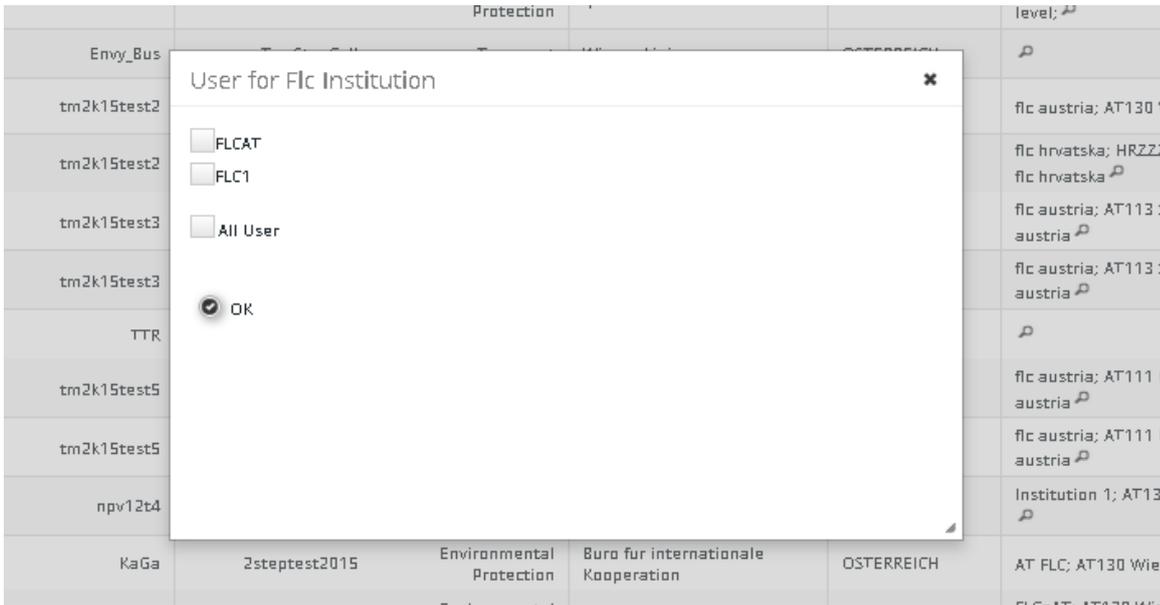
Figure: Assigning FLC users to project partners

> **Caution!** Make sure to assign FLC users to project partners. It is not sufficient to just assign the FLC institution.

In case you want to restrict access to some or just one FLC user(s), you need to use the "assign user" functionality and select a user there.

FLC assignments are only stored when clicking the save button!

Figure: FLC assignments must be saved.

Chapter 5 contains detailed guidance on how to use the eMS system.

4. Programme rules

The programme rules described in this chapter are of especial importance for the FLC's. Further information on all these topics can be found in the Programme Manual.

4.1. Project budget

The project budget is defined in the Subsidy Contract following the positive decision of the Steering Committee.

The Programme Manual explains the possibility for flexibility within the budget lines. In case a Subsidy Contract Amendment has been needed, it can be found in the eMS and the up-to-date budget is visible for the controller.

The programme (FLC's and MA/JS) follows the project budget

- per partner total budget

- per total budget within the allowed flexibility and with regard to the ERDF total sum and support rate

The flexibility rule is foreseen to accommodate to the minor deviations and updates to the project plan and budget that arise from normal project implementation (taking into account the factors that the project application is prepared years in advance and that the project application is only a roadmap or strategic plan, which is then turned into actual activities and costs).

The ceiling of the flexibility is set by project. Therefore no direct limits exist for partners. It is the Lead Partner's responsibility to coordinate the project costs and the use of the flexibility rule. It is the Lead Partner who allows partners to use the flexibility and the extent of it and makes any cuts if needed.

The programme and its procedures have been set up accepting that project funding is by its nature risk funding. The programme therefore accepts a certain level of deviations from the project planned outputs and objectives. This risk tolerance and net risk is assessed as part of the programme's Risk Assessment tool and is integrated into project assessment, selection for funding and monitoring.

For deviations to be accepted during monitoring of the project, certain conditions must be met. Firstly, the underachievement mustn't be the result of negligence or fraud by the project partners but the partners must have attempted everything in their power to achieve the set goals. Secondly, the underachievement must be reported to the JS as soon as the risk arises. The JS and the project will together assess the situation and the JS will give its opinion on the situation. The process has been explained in the Manual for beneficiaries. It is worth noting that the wording chosen for beneficiaries is stricter than the actual programme interpretation, which is depicted in programme internal documents such as this.

All project changes come into force on the day of the MA decision. Thus no changes can be approved retrospectively. However, TA budget changes can be approved retrospectively, as the Monitoring Committee only meets twice a year and the TA does not have the possibility for "ongoing" requests for change.

4.2. Eligibility of costs

The hierarchy of eligibility rules is clear in the 2014-2020 period. EU regulations should be followed when they exist. The Commission Delegated Regulation (EU) No 481/2014 defines the scope of the budget lines used by the programme. In several cases the Commission has defined closed lists of eligible costs. The implementing act has been directly applied in the Programme Manual for each budget line.

The Commission rules can be complemented by programme rules, set in the Programme Manual by the Monitoring Committee. National rules are applicable if nothing has been defined on the eligibility by the EU regulations or the Programme Manual.

The programme has defined as key principles that costs have to be incurred and paid in order to be eligible. It is recognised that this causes some problems for salary payments and holiday payments especially in Finland and Sweden. To overcome this issue, a closure period has been included. During this period, which is part of the project duration, partners can pay costs that have been incurred earlier. As a feasible solution to the holiday payments issue it is considered that costs from the first year (not generated by the project) could be accepted in cases when it is foreseen that the holiday payments of the last year cannot be paid during the project and where these costs are foreseen to equal themselves out. The justification should be documented and followed up annually and/or with the final payment claim.

The programme has, furthermore, defined that all project costs must be reported in the period when they are actually paid out. Only staff costs taxes may be in next period as an exception.

The FLC's may in their work make use of the so-called Matrix of costs, developed by the Interact programme. The latest version can be found on the Interact website (www.interact-eu.net) or received from the Central Baltic programme colleagues. The Matrix gathers examples of eligible and non-eligible cost items under each budget line.

4.3. Simplified cost options: lump sums and flat rate

The programme uses two types of simplified cost options: a flat rate for office and administration costs and the possibility for lump sums.

The preparation cost is a lump sum defined by the programme and the sum of 10.000 EUR ERDF is given to all finally approved projects. In addition projects may decide to define lump sums in the application. Lump sums are always budgeted and reported in EUR.

For lump sums defined by the project, the costs of the lump sum and the conditions for its payment are assessed by the JS during project assessment. During the project reporting the check will be to:

- assess whether the conditions for reimbursement, set in the application and Subsidy Contract, have been met. In case not, the full cost of the lump sum will be deemed ineligible.
- check that the agreed methodology has been correctly applied and that the project (activity) is not totally outsourced.
- confirm that the project partner has a reliable monitoring system in place for storing, transmitting and processing data on results and outputs.

The flat rate for office costs (counted as 15% of staff costs) is mandatory for all projects. The use of flat rate is optional for TA costs. The eMS calculates the flat rate automatically, but the calculation must be updated by the project partner. Therefore it is important that the FLC verifies the correctness of the sum applied for.

In case of flat rate financing the FLC checks whether:

- cost have been correctly allocated to a given category
- there is no double declaration of the same cost item
- the flat rate has been correctly applied
- the amount charged based on the flat rate has been proportionally adjusted if the value of the category of costs to which it was applied has been modified
- the project is not totally outsourced.

Lump sum for preparation costs – methodology

The Central Baltic Programme 2014-2020 applies lump sums for preparation costs. The lump sum has been defined as 10 000 EUR ERDF per project. The lump sum may be used for the Lead Partner or divided between partners.

Costs that can be included in the lump sum

The lump sum may be used to cover: cover costs which have incurred in the preparation phase and are related to meetings between partners, staff costs and costs related to preparing investment documentation.

The lump sum may be used for the time period up until the submission of the final project application (call deadline for small projects and second step deadline for regular projects). The earliest date for including costs in the lump sum is 1.1.2014.

The lump sum may not be used for costs for which seed money or similar funding has already been obtained from other funds (such as the Baltic Sea Region Programme or the Swedish Institute).

Indicator for paying out the lump sum

The indicator has been defined as "finally approved project application" for which the proof is a signed Subsidy Contract. This refers to both small and regular projects.

Calculation method

The lump sum is defined by the programme and is applied for all projects. The lump sum is set at a very low level, wherefore the programme can have full confidence that all projects regardless of their individual characteristics have spent at least this amount of money to prepare the full project application.

As an example, a project with minimum characteristics has been used: 2 project partners located in Estonia and Latvia, preparing for a "soft" project, with very short preparation time of 3 months:

Cost item	Total cost
Project coordinator working time, LP, 2 months	3.000 EUR
LP financial manager working time, 1 month	1.500 EUR
PP coordinator working time, 1,5 months	2.500 EUR
PP financial officer working time, 1 month	1.500 EUR
Travel costs to 2 face-to-face meetings of 2 days for in total 4 people	3.265
TOTAL	**11.765 EUR** **ERDF 85 % 10.000 EUR**

At the same time, the above example is a rare case. Most project applications have partners from at least 3 countries, of which at least one is Finland or Sweden with considerably higher salary costs than what has been presented above. Furthermore, a typical project preparation period is one year. In case of projects with investments, the preparation work for investments alone can be several thousands of euros.

As comparison, other ETC programmes use preparation cost lump sums defined as 35 000 – 50 000 EUR.

4.4. Irregularities and related problems

An irregularity is defined as a cost that has been claimed from the Commission by the MA in one of the programme's payment claims. In case the FLC detects an irregularity, the MA should be informed of it immediately.

The programme has a zero tolerance policy on fraud. All suspicions on fraud shall be reported to the MA as part of the regular FLC checks or directly.

5. Using the eMS system

This FLC manual refers to the version 3_1.0 of the eMS. The technical guidance relies largely on the eMS manual provided by the service provider, Interact. The pictures provided are from the previous eMS version and its demonstration environment, wherefore small differences to the Central Baltic real system may exist. This manual also reflects the Central Baltic programme's specifications for using the eMS.

When using the eMS, remember to save all work done regularly. The system does not automatically save information.

After login, FLC users see the FLC dashboard with a list of all projects which have at least one project partner assigned to them. The dashboard also shows the mailbox and a calendar.

Figure: FLC users can use the dashboard to access projects
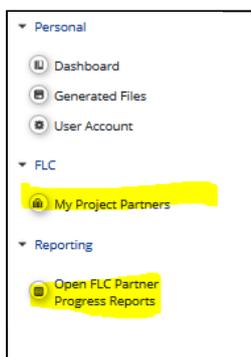
Alternatively, FLC users can also access projects via the 'my project partners' table under the 'FLC' item in the left-hand menu. To view this list the FLC user role needs the privilege 'FLC'.

A list of all open partner reports (i.e. all reports ready to be verified) can be accessed via the 'open FLC partner progress reports' menu item under 'Reporting'. To view this list the user role needs the privilege 'FLC'.

Figure: FLC users can be given the privilege to see additional overview tables 'My project partners' and/or 'Open FLC partner progress reports'

Once a project has been opened, the partner report section is visible and reports can be selected. In the example below, the FLC user is FLC of two partners (lp1 and pp1) and therefore sees reports of both partners
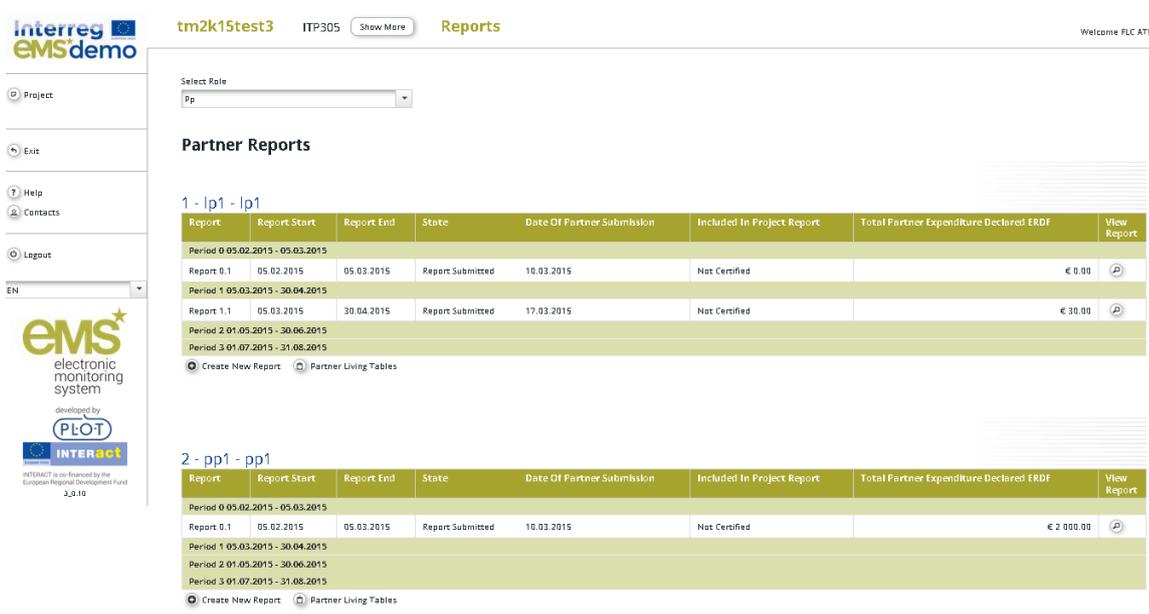
Figure: The report overview can be used to access partner reports

5.1. Verification of a partner report – List of Expenditure

The selection of a partner report directly leads to the partner report view. Near the top, Tabs to access the Partner Report (i.e. content section), the List of Expenditure, Contribution and Forecasts and Attachments made by the project partner are available.
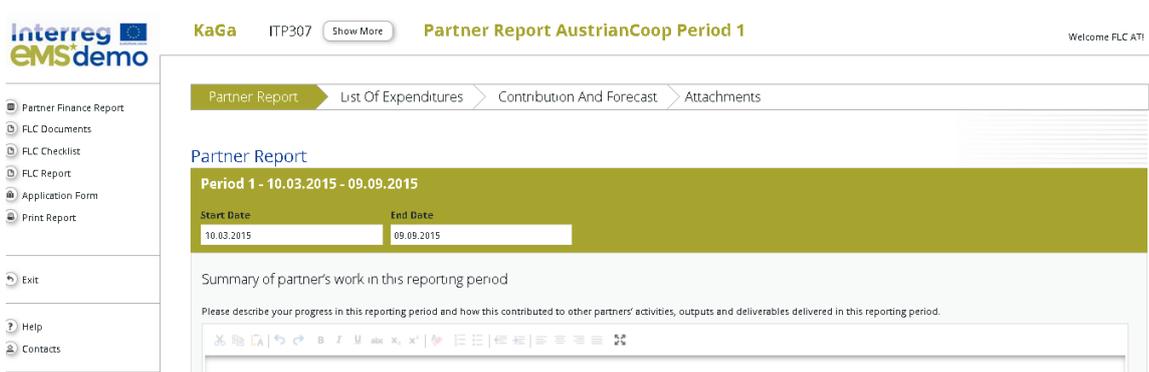
Figure: FLC view – partner report

List of Expenditure

The FLC can directly access the list of expenditures and verify expenditure items.

Figure: FLC section of the List of expenditure

In the 'List of Expenditures", FLC can view all expenditure items. By clicking on an item, a pop-up window opens in which expenditure can be corrected.

Figure: FLC corrects expenditure items in a pop-up that can be accessed via the List of expenditure

NB! Any cost item that you want to be included into the FLC certificate, must be marked as "verified by FLC", meaning that the corresponding checkbox must be checked. Carefully go through the report to see that all relevant cost items have been verified before you submit the report.

A "tick all as verified by FLC" button is now available per budget line. This allows you to tick all cost items with one tick.

Both positive and negative corrections are possible in the 'Difference by FLC' field. Since negative corrections are more frequent, the eMS assumes that a correction is negative. If you want to make a positive correction, please enter the negative amount. Positive corrections should be used only in exceptional cases and should be justified properly, including with relevant documents from the partner. It is not common practice for any of the control levels to add costs to what the partner has reported.

The corrected amount is shown as 'Amount certified by FLC'

For expenditures calculated using Flat rates (Office and Administration), the difference and certified amount are calculated automatically. They also do not need to be marked as 'Verified by FLC', as they are marked when any other expenditure is checked as verified. Direct corrections on flat budget lines are not possible via the List of Expenditure.

In case a flat rate cost is based on multiple expenditure items (such as work packages) and only some of them are ticked as "verified by FLC", the flat rate will split into multiple items to make sure that only the part of the flat rate referring to the verified items is included in the FLC certificate.

If any of the expenditure to be corrected was declared in a currency different than the EUR, you may decide to cut it in EUR or in the original currency. Lump sums should always be reported and thus also cut in EUR only. In order to cut in the original currency, you need to check the box "edit amount in original currency". After this you can enter the difference in the original currency. The system will calculate the difference using the exchange rate of the time when the report was submitted to the FLC.

NB! Cuts in original currency are only possible in the single expenditure pop-up. All edits done directly in the List of Expenditure are by default in EUR.

Any supporting documents uploaded by the project partner can be accessed via the 'Uploads' section. The eMS is not considered an archive and does not replace the requirement for partners to keep all relevant documentation. The attachments will be automatically deleted from the eMS once the payment for the report has been made and the attachments are no longer needed. If the FLC needs some documents for further work, they should save the documents themselves.

Column Select Feature of the List of Expenditure

The List of expenditure is very long as it contains many columns and you might find one or the other column not to be necessary in your programme. You can hide columns that are not relevant for you by using the Dropdown menu "Columns" at the bottom of the List of expenditure and saving the options. The wanted columns can be changed at any point of time.

Scrolling the List of expenditure

It is possible to scroll the List of expenditure to the left or right by using the middle-mouse-button (press it and move around in the table). THs feature can be used as an alternative to the existing scroll bars.

Uploading documents (LoE Attachments)

Attachments by the project partner are shown in the LoE and in the pop-up. A "download all attachments" button is available to download all attachments associated with one cost item.

5.2. Sitting Ducks

The FLC can choose NOT to verify an expenditure item (e.g. in case verification takes a long time or needs further clarification). Any item that is NOT ticked 'Verified by FLC', is NOT included in the current FLC certificate.

This means that – by not ticking 'Verified by FLC'-, the FLC generates an item that is neither accepted not rejected and waits in the system to be verified ('Sitting Duck').

Sitting ducks can be verified in later reports. To access sittings ducks, go to "FLC documents" and then "FLC expenditure" and tick 'show all waiting to be verified, including expenditure from other reports". The view then shows per budget lines:

- Declared by partner – Current report: all items included in the current report
- Declared by partner – Other reports (open expenditure): all items currently open in other reports (i.e. reports previously finalised by FLC as well as not yet finalised)
- Total: Sum of the two above

It is possible to view all relevant cost items by clicking on the magnifying glass at the bottom left of the table. Items shown in this view are:

- Items of the current report – already verified: ORANGE
- Items of the current report – not yet verified: WHITE
- All not yet verified items from other open reports (i.e. reports submitted to the FLC but not yet finalised by the FLC): WHITE
- All not yet verified items from closed reports (i.e. reports submitted to the FLC and already finalised by the FLC), sitting ducks: PINK

Therefore this view can be used to immediately see if there are any leftover items from previously certified reports (pink). By ticking "Verified by FLC", the item will be included into the current FLC certificate.

NB! When you want a cost item from another report to be included into the FLC certificate, the item in question needs to be marked as "Verified by FLC" and the corresponding checkbox checked AND the button "Show all waiting to be verified, including open expenditure from other reports" has to be ticked when pressing the button "Check FLC work" and "Submit FLC work".

> **Caution! Sitting ducks can only be seen and opened in the FLC Expenditure view. You cannot see them in the List of Expenditure for the current report**

5.3. Verification of a partner report – FLC Documents

The eMS handles the following FLC documents:

- FLC expenditure
- Partner information
- FLC Checklist
- FLC Report
- Attachments
- FLC Risk assessments (inherent and control risks) – not currently used by the Central Baltic programme

An FLC certificate can be printed and/or signed and uploaded if needed for internal purposes, but this is not required by the programme.

FLC documents can be accessed through the menu to the left and through the tabs in the FLC documents section.

5.4. FLC Expenditure

This overview table shows – per budget line – how much was declared in the current report and how much was already certified by FLC. It can be used, e.g. to keep track of the FLC work. It can also be used to verify along cost categories (budget lines) as expenditure items can be opened per cost category via this view.

Figure: 'FLC expenditures' shows amounts declared by the partner and certified by FLC per cost category (budget line)

This view is also used to access any expenditure items left over from previous partner reports by ticking 'Show All Open', located on the left hand site on top of the Table (see Section 'Sitting Ducks').

5.5. Partner Information

This interface can be used to enter important information about a project partner. It is assumed that information entered here does not usually change over time. Therefore, information entered here is shown in later reports as well. If the information does change, however, it can be edited. If so, the new information will be shown in all later reports, but not in already submitted reports.

This section also contains basic information about the documents available for the check. Here the most relevant information relates to the accounting system and information on which format the partner supporting documents have been made available in. The existence of the Partnership Agreement should be verified with the first report.

Information on the bank account may be confirmed, but this is something that the JS and Lead Partner confirm on project level.

Figure: 'Partner information' shows information that does not usually change over time

5.6. FLC Checklists

The FLC checklist lists all verifications expected from national controllers. The checklist contains several sections. For each question, it is possible to confirm the question with yes, no, or not applicable. Especially for "no" and "not applicable" a comment may be relevant. As a

general rule, rather more comments should be included than less. The comments are for internal use for the FLC's but also for other programme bodies. They serve as a memory of what has been checked for the FLC's and as information for programme bodies. The information may be filled in in the national language.

Note, that not all sections will be relevant for all partners. For example, there are different checklists for partners using the flat rate or direct costs (applicable for TA partners only) for office and administration costs.

Each question of the checklist must be confirmed by ticking the right-hand side box. It is possible to confirm all replies by ticking the box at the very end of the checklist. Save the selection.

Figure 'FLC checklist' shows the checklist to be filled in by controllers

Once you have filled in the FLC checklist, remember to press Final Check at the bottom of the checklist. This allows you to complete the so-called consolidated checklist. This is crucial for the completion of the FLC certificate.

Figure "FLC checklist completion" showing how to finalise the checklist

> **Caution! If you have not completed the FLC checklist with the Final check, the partner will not be able to access the FLC certificate.**

5.7. FLC Report

The section 'FLC Report' contains information on the current report. It is assumed that this information changes over time. The information to be provided in this section includes Type of report, details on the designated project partner controller, Methodology of the verification, Description of Findings, Conclusions and recommendations and follow-up measures for the next partner report.

As for the "Partner information" section, information entered here will show up in later reports. The information is in editable form and can be changed if needed.

Information under "Designated Project Partner Controller" is pre-filled. It is always the logged-in FLC user that is shown in these fields. In the FLC certificate, the user that finalised the FLC work (submitted) will be shown. After finalising the work the information no longer changes.

Figure: 'FLC Report'

Information under 'Designated Project Partner Controller' is pre-filled. It is always the logged-in FLC user that is shown in these fields. In the FLC certificate, the user that finalised the FLC work (submitted) will be shown. After submission the information will no longer change.

# 5.8. Inherent risk assessment – currently not used by the Central Baltic programme

This section could be used to assess the risks inherent to a project type, a project partner or types of activities/expenditures. If taken into use by the programme, the guidance will be elaborated.

5.9. Control risk assessment – currently not used by the Central Baltic programme

The Control risk assessment could be used to provide information on the quality of each report. It can be used as a basis for sampling: If the quality of information in a budget line has been good in the past, sampling can be justified. If taken into use by the programme, the guidance will be elaborated.

5.10. Reopening the Partner Report or the Document Upload Section

Sometimes the FLC needs to receive additional information from project partners for verification of expenditure. The eMS currently handles three ways of reopening the partner report for editing:
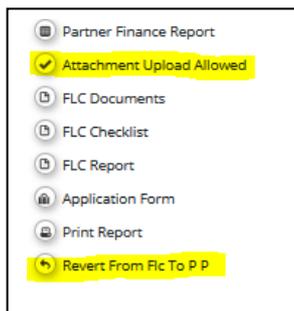
1) The entire report can be re-opened for editing by pressing 'Revert from FLC to PP'.

2) It is possible to only open the attachment section of the partner report by clicking "Attachment upload Closed". As a result, the button changes to "Attachment upload allowed". Now it is possible for the partner to upload attachments.

3) It is possible to re-open only the attachment section of the List of Expenditure by clicking on "Expenditure attachment upload closed". As a result, the button changes to "Expenditure attachment upload allowed". Now it is possible for the partner to upload attachments.

These options can be used to correct existing information in the report or to add attachments. In case the report needs larger modification (adding completely new costs, for example) the FLC should get in touch with the project's contact person in the Joint Secretariat and ask him/her to open an additional partner report. This report will complement the original report.

When the entire report is reverted to the partner, cost items already ticked as "Verfied by FLC" in the List of Expenditure cannot anymore be edited by the partner.

5.11. FLC Certificate and Finalising FLC work

Before finalising the FLC work, please review the work done so far. Please ensure that the checklist and other sections have been filled in, that all corrections are duly justified, that all costs that should be verified have been ticked in the List of Expenditures and that the FLC checklist has been consolidated, i.e. you have done the "Final check" after filling in the checklist.

You can see the pdf of the FLC certificate after pressing "Check FLC work" and then "Finalise FLC work". In order to access these buttons, you must be in the "FLC expenditure" tab.

Figure: Printing the FLC Certificate and Checking FLC work

When 'Check FLC work' is clicked, an error check plugin is ran. The programme works on adding error checks for FLC work.

5.12. eMS support

In case of purely **technical questions**, please send an e-mail to

ems(a)centralbaltic.eu

In the e-mail reporting the problem, provide in as much detail as possible indicating what you were trying to do, relevant project ID, report and/or any other information. If possible, send screen shots visualising the issue.

In case of support related to **FLC procedures including eMS procedures**, please get in touch with the Head of Managing Authority, Merike Niitepõld

merike.niitepold(a)centralbaltic.eu

Mobile: +358 40 742 0302