



FLC & BENEFICIARIES: COMMON MISTAKES

22 JANUARY 2020



COMMON MISTAKES AND ERRORS AT BENEFICIARY LEVEL

- Inadequate audit trail – missing of important supporting accounting documents
- Failed to obtain the Compliance Certificates of EU Horizontal Issues such as Environment, equality of men and women, non discrimination and public procurement.
- Failed to obtain the Certificate of VAT Office concerning the eligibility and treatment of VAT
- Incorrect calculations of staff costs



COMMON MISTAKES AND ERRORS AT BENEFICIARY LEVEL



- Missing double funding stamp in the original documents/invoices
- Weak public procurement procedures
- Failed to complete the self assessment checklist for public procurement under the thresholds
- No compliance of publicity and advertising rules of the Program

COMMON MISTAKES AND ERRORS AT FLC LEVEL



- Validation of expenses without checking the Application Form of the Project
- Weak audit files – missing supporting documents but validated anyway
- Incomplete FLC Checklists
- Ignore the double funding rule of the programs to stamp the original documents with appropriate stamp

COMMON MISTAKES AND ERRORS AT FLC LEVEL



- Ignore to check in the First Interim Certificate, the Compliance Certificates
- Wrongly treatment of VAT amount
- Wrongly calculations and validations of Payroll costs
- Wrongly completion of FLC Checklist

AUDIT TRAIL

ART.125(4)EU1303/2013

Project File-Template Project File Content

- ❑ Application Form
- ❑ Subsidy Contract
- ❑ Partnership Agreement
- ❑ Modifications
- ❑ Certificates of EU Horizontal Policies
- ❑ Certificate of FLC Controller
- ❑ Public Procurement Procedure documents - Deliverables
- ❑ FLC Expenditure Certificates together with the supporting accounting documents
- ❑ Progress Reports
- ❑ Reimbursement of ERDF
- ❑ Publicity



TREATMENT OF VAT

- In accordance with Regulation (EU) No 1303/2013 Article 69 (3), VAT is not eligible except in the case where VAT is non-recoverable under national VAT legislation. In practice, if a partner can recover VAT (regardless whether he actually does or not), all expenditure reported to the programme has to be reported without VAT.
- Each partner should contact the Tax Department in order to get a VAT certificate. The controller of each partner should check that specific certificate.

CONTROLS FOR DOUBLE FUNDING



- ❑ Checks whether Beneficiary has stamped all original supporting documents (e.g. invoices) with special stamp stating that the item has been co-financed from the particular program.

_____ (ΔΙΚΑΙΟΥΧΟΣ)

Το παραστατικό αυτό υποβλήθηκε για χρηματοδότηση στα πλαίσια της πιστοποίησης δαπανών του έργου: _____ (ΑΚΡΩΝΥΜΙΟ) του Προγράμματος _____ με Αύξοντα Αριθμού Πιστοποιητικού Δαπανών _____ Επιλέξιμο ποσό: _____

Υπογραφή: _____ Ημερομηνία: _____

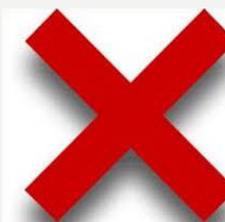
- ❑ Checks that no invoice reference number per Contractor is submitted more than once within the project payments supporting documents (ledger of beneficiary payments and supplier invoices created by MIS)

STAMPS

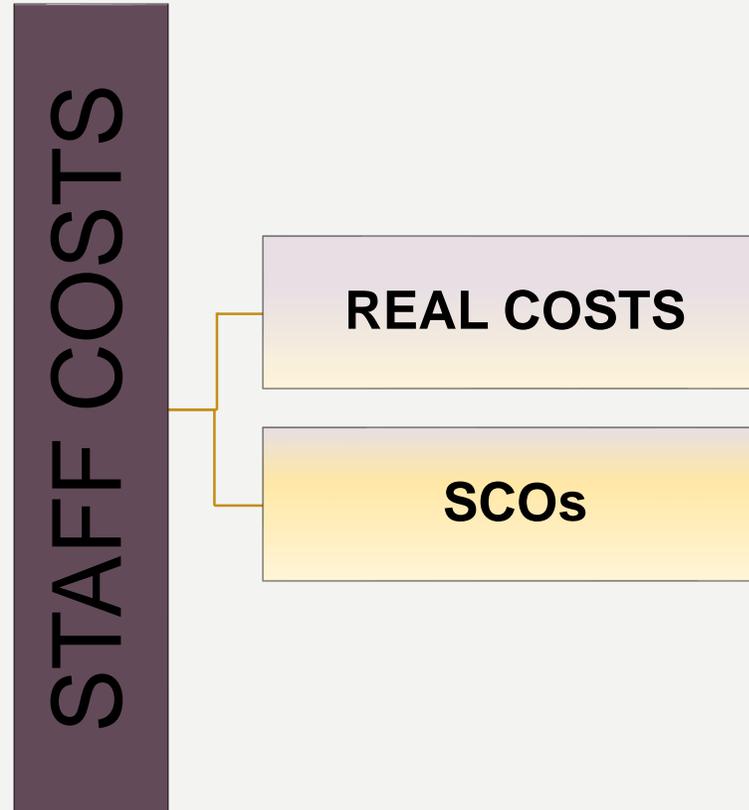
_____ (ΔΙΚΑΙΟΥΧΟΣ)

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Υπογραφή: _____ Ημερομηνία: _____



STAFF COSTS



STAFF COSTS

- ❑ Employer Staff Cost Based on Real Cost as shown in Beneficiary's Accounts – Permanent or Temporary Employees
- ❑ The eligible expenditure is calculated based on the Beneficiary's Payroll Documentation → Needs supporting documentation- Employees' Payroll Slips and Proof of Payment
- ❑ Time spent on project needs to be recorded in timesheet for no full time employees – need also 100% of employees working time timesheet and calculation of Hourly Rate based on 1720 Hours (Art.63 (2) EU1303/2013)

HOURLY RATE BASED ON 1720 HOURS



Time spent on project needs to be recorded

Rate calculated for the first project and remains fixed

Rate devised from payroll documents submitted once



Case of same beneficiary with more than one co-financed project using same staff

ANNUAL GROSS EMOLUMENT COST

Annual gross salary for previous full year



Annual Mandatory Employer Contributions for previous full year



Annual Gross Emolument Cost



- Social Insurance Contribution (8,3%)
- Social Cohesion (2%)
- Redundancy Fund (1,2%)
- Industrial Fund (0,5%)
- Medical Fund
- Provident Fund
- Government Health Plan

CHECKLIST FOR PP LEGALITY

□ FLC should check the legality of PP documents procedures by completing the designated checklist

ΚΑΤΑΛΟΓΟΣ ΕΠΑΛΗΘΕΥΣΗΣ ΣΥΜΒΑΤΟΤΗΤΑΣ ΜΕ ΤΟ ΝΟΜΟΘΕΤΙΚΟ ΠΛΑΙΣΙΟ ΓΙΑ ΤΗ ΣΥΝΑΨΗ ΔΗΜΟΣΙΩΝ ΣΥΜΒΑΣΕΩΝ ΓΙΑ ΔΙΑΓΩΝΙΣΜΟΥΣ ΕΚΤΙΜΩΜΕΝΗΣ ΑΞΙΑΣ ΜΕΧΡΙ €125.000 ΓΙΑ ΥΠΗΡΕΣΙΕΣ ΚΑΙ ΠΡΟΜΗΘΕΙΕΣ Ή ΜΕΧΡΙ €500.000 ΓΙΑ ΕΡΓΑ

Αναθέτουσα Αρχή/Αναθέτων Φορέας (ΑΑ/ΑΦ):.....

Τίτλος Διαγωνισμού:.....

Αριθμός Διαγωνισμού

Εκτιμώμενη Αξία:.....

ΕΝΟΤΗΤΑ Α: ΈΛΕΓΧΟΣ ΣΥΜΒΑΤΟΤΗΤΑΣ ΔΙΑΔΙΚΑΣΙΑΣ

A/A	ΣΤΟΙΧΕΙΑ ΕΛΕΓΧΟΥ	ΝΑΙ	Δ/Ε	ΠΑΡΑΤΗΡΗΣΕΙΣ
1	Επαληθεύεται ότι Ο υπολογισμός της εκτιμώμενης αξίας συμπεριλαμβάνει τυχόν δικαιώματα προαίρεσης ή δικαίωμα παράτασης της σύμβασης; <i>[(άρθ. 10-Ν.73(Ι)/2016), (άρθ. 11-Ν.140(Ι)/2016</i>			<i>ΕΚΤΙΜΩΜΕΝΗ ΑΞΙΑ</i> €----- <i>ΔΙΚΑΙΩΜΑ</i> • <i>ΠΡΟΑΙΡΕΣΗΣ</i> €----- • <i>ΠΑΡΑΤΑΣΗΣ</i> -----
2	Επαληθεύεται ότι ο διαγωνισμός που διενεργείται δεν είναι αποτέλεσμα κατάτμησης, λαμβάνοντας υπόψη στοιχεία από το προτεινόμενο τεχνικό δελτίο έργου ή οτιδήποτε άλλο έχει περιέλθει στην αντίληψη του;			

FLC CHECKLIST REPORT – WRONGLY AND INCOMPLETE

- The FLC interim Certificates should be completed in accordance with the program guidelines
- All questions must be completed.
- Try to be accurate and justify your answers.
- Findings should be clearly stated in the specific spot on the Checklist.
- Suggestions for improvement of beneficiaries' internal control system should be included.



POINTS TO TAKE INTO ACCOUNT



CONFLICT OF INTEREST

“A situation where the impartial and objective exercise of the functions of a player... is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest”

A conflict of interest situation from which benefits obtained become immediately case of FRAUD.

MITIGATE RISKS:

- Independence and qualification of FLCs
- No contract between partners or with associated ones
- Dedicated space on the each Program checklist to report any suspicion for such cases

RED FLAGS WARNING SIGNS ON PP



❑ Conflict of Interest issues

- ❑ Contracting employee does not complete the conflict of interest declaration
- ❑ Undocumented or frequent changes to contracts increasing the value of the contract
- ❑ Unexplained or unusual favouritism of a particular contractor

❑ Collusive bidding

- ❑ Bid rotation – submit bids bigger to allow each bidder to be the low bidder on a rotating basis

RED FLAGS WARNING SIGNS ON PP



- ❑ Tailored made specifications – bid technical specifications to fit on a specific contractor
 - ❑ Only one or a few bidders respond to request for bids
 - ❑ High number of competitive awards to supplier
 - ❑ Complaints from other bidders
- ❑ Leaking bid data
 - ❑ Poor controls on bidding procedures i.e not follow the deadlines
 - ❑ Acceptance of late bids, some bids opened early
 - ❑ All bids are rejected and contract is re-bid.

RED FLAGS WARNING SIGNS ON PP



- ❑ Split Purchases – split a purchase into two or more orders/contracts
 - ❑ Two or more related procurements procedures for the same contractor
 - ❑ Unjustified separation of purchases – separation of labour costs and materials
 - ❑ Sequential similar purchases just under the thresholds

RED FLAGS – WARNING SIGNS ON INVOICES



- ❑ Invoices with no logo of the company
- ❑ Erased or crossed out figures, write offs without signatures of authorised persons
- ❑ Handwritten amounts without signatures of authorised persons
- ❑ Unusual dates and amounts
- ❑ Unusual colour on official stamps
- ❑ Miscalculation in an invoice or in a Payslip produced by computer

RED FLAGS – WARNING SIGNS ON INVOICES



- ❑ Missing obligatory element of an invoice such as date, Tax Identification Number...
- ❑ Inconsistency between the dates of invoices produced by the same entity and their number

Example: Inv#152 issued 25/03/2012

Inv#103 issued 30/06/2012

- ❑ Invoices not matching the quotations in terms of price, quantity and/or description

swiss-belHOTEL dimyat
VARNA

И
П
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М
Е
Н
С

КЕРАТЕХ ИНЖЕНЕРИНГ ООД
ОФИС БУЛ. "САВАРИКА" No. 5, E.T. 3
EPM: 116514621
"SWISS BEL HOTEL DIMYAT VARNIA" ДЪЛГОБАНА
ВАРИА БУЛ. "КНЯЗ БОРИС І" No. 111
ЗДЛП No. BG116514621

00001
X01FA

001
327.20

ОБЩО
КРЕДИТНА КАРТА
С КРЕДИТНА КАРТА

327.20

327.20

BILL No. 20000
Date: 01/09/2017

Issued to:

ID No.
VAT ID No.:
Acc.Prsn.
Address:

Issued by (

БЮРО ИТ
"Ceratech E
SWISS-BEL
Address: Ва
ID N: 11651
VAT N: BG11651362
Prsn. acc.: Vanya At
Antonia Pistorova

1 АРТИКУЛ
01-09-2017 09:20:34
ФИСКАЛЕН БОН

Guest/Service	Room	Price	Qty	Amou	BGN
30/08/2017 BBISGLASGL	207	150.6000	1.00	150.60	
30/08/2017 AIRPORT TRANSFER	207	26.0000	1.00	26.00	
31/08/2017 BBISGLASGL	207	150.6000	1.00	150.60	
				Total	327.20

Say: three hundred and twenty seven Leva and twenty St.

tourist tax 2 x 1.40 = 2.80 BGN

Payment:

CREDIT CARD № 0000007643 327.20 BGN - 1.00000 = 327.20 (BGN)

Tax event/payment date: 01/09/2017

Hotel account 38020-res. 24766

Note:

Service/merchandise received by:

/ [Redacted Signature] /

Issued by:
/ Десислава Илчиева /

Bank accounts
BGN Raiffeisenbank LTD

BIC: RZBBBGSF

IBAN: BG05RZBB91551063032100

This document was submitted for funding by the Structural Funds in connection with the certification of the [Redacted] project costs of the Balkan Med Program with Document Number 12005. Eligible amount: 172.14 euro
Date: 1.9.2017

1170724

Examples of possible Falsified Invoices

"СЕРАТЕХ ЕНЖИНИРИНГ" ЕООД
 ОФИСНА БУЛ. "КНЯЗ БОРИС I" NO. 111.3
 ОИКО: 116513621
 SWISS BELHOTEL DIMYAT VARNNA PLOVDIV
 НАРТИА БУЛ. "КНЯЗ БОРИС I" NO. 111
 1000 NO. 60110510001

111 Kniiaz Boris I Boulevard, 9002 Varna, Bulgaria
 Phone: +359 52 910 800
 Fax: +359 52 910 801
 Mobile: +359 882969750
 E-mail: reception@swiss-belhotel.bg
 Hotel Website: www.swiss-belhotel.bg
 Chain Website: swiss-belhotel.com

OTEL dimyat

1
 ГОЛЪМ УСЛУЖИ
 ГОЛЪМ УСЛУЖИ
 -ЩО
 ДИМНА КАРТА
 РЕДАТНА КАРТА

21,40 B
 602,40 T
 623,70
 623,70
 $150,60 \times 4 = 602,40$ (2 bedrooms x 2 nights)

BILL No. 2000013075
 Date: 01.09.17

2 ПИТКИВА
 01.09.2017 10:28:24
ФИСКАЛЕН БОИ
 02047433
 011547433
 02047433
 02047433

Issued by (company):
 "Ceratech Engineering" LLC
 SWISS-BELHOTEL DIMYAT VARNNA
 Address: Varna, 111 "Kniiaz Boris I" Blvd
 ID N: 116513621
 VAT N: BG116513621
 Presn. acc.: Vanya Atanasova,
 Antonia Pislenska

Reason	Price	Qty	Amou	BGN
HOTEL SERVICES - Accommodation in a single room 30.08-01.09 <u>2 nights/</u>	623.7000	1.00		623.70
		Total		623.70

Say: six hundred and twenty three Leva and seventy SL

tourist tax

Payment:

CREDIT CARD

Tax event/payment date:

Hotel account 38019-res. 24765

Note:

Service/merchandise received by:

Bank accounts
 BGN Raiffeisenbank LTD

*2 bedrooms
 of 4 nights*
 $4 \times 1.40 =$
 5.60 BGN
 623.70 BGN + 1.00000 = 623.70 (BGN)
 01.09.17

Issued by: [Signature]
 / Ивона Карина Крива /
 IBAN: BG050233391551063032100
 BIC: RZBBBGSF

This document was submitted for funding by the Structural Funds in connection with the certification of the [redacted] project costs of the Balkan Med Program with Document Number TR008. Eligible amount: 328.14 euro
 Signature: [Signature] Date: 1.9.2017

Examples of Possible Falsified Invoices

[REDACTED] HOTEL
PLACE [REDACTED] 13
[REDACTED]



For official use

Description	Montant
Room Rent	
3 x 85	255
[REDACTED]	
Petit dj. :	
Extra :	
Total :	255

Ch. No. 404 Nom. [REDACTED]
Date : 14/1/2009 No. Prs. 1

**Examples of
Possible Falsified
Invoices**

IRREGULARITIES & FRAUD SUSPICION...



- ❑ Irregularities - Inform the Approbation Body immediately
 - ❑ Contact Person: Mary Ioannou – mioannou@treasury.gov.cy
- ❑ Fraud Suspicion – Official communication to the Permanent Secretary of the DG EPCD.
 - ❑ Contact Person: Mary Ioannou – mioannou@treasury.gov.cy
 - ❑ Fraud Tip line in EU :
 - https://ec.europa.eu/anti-fraud/olaf-and-you/report-fraud_en

THANK YOU FOR YOUR ATTENTION!!!

QUESTIONS?



Mary Ioannou – Accounting Officer

Directorate General for European Programs,
Coordination and Development

**UNIT OF EUROPEAN TERRITORIAL COOPERATION
PROGRAMMES**

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