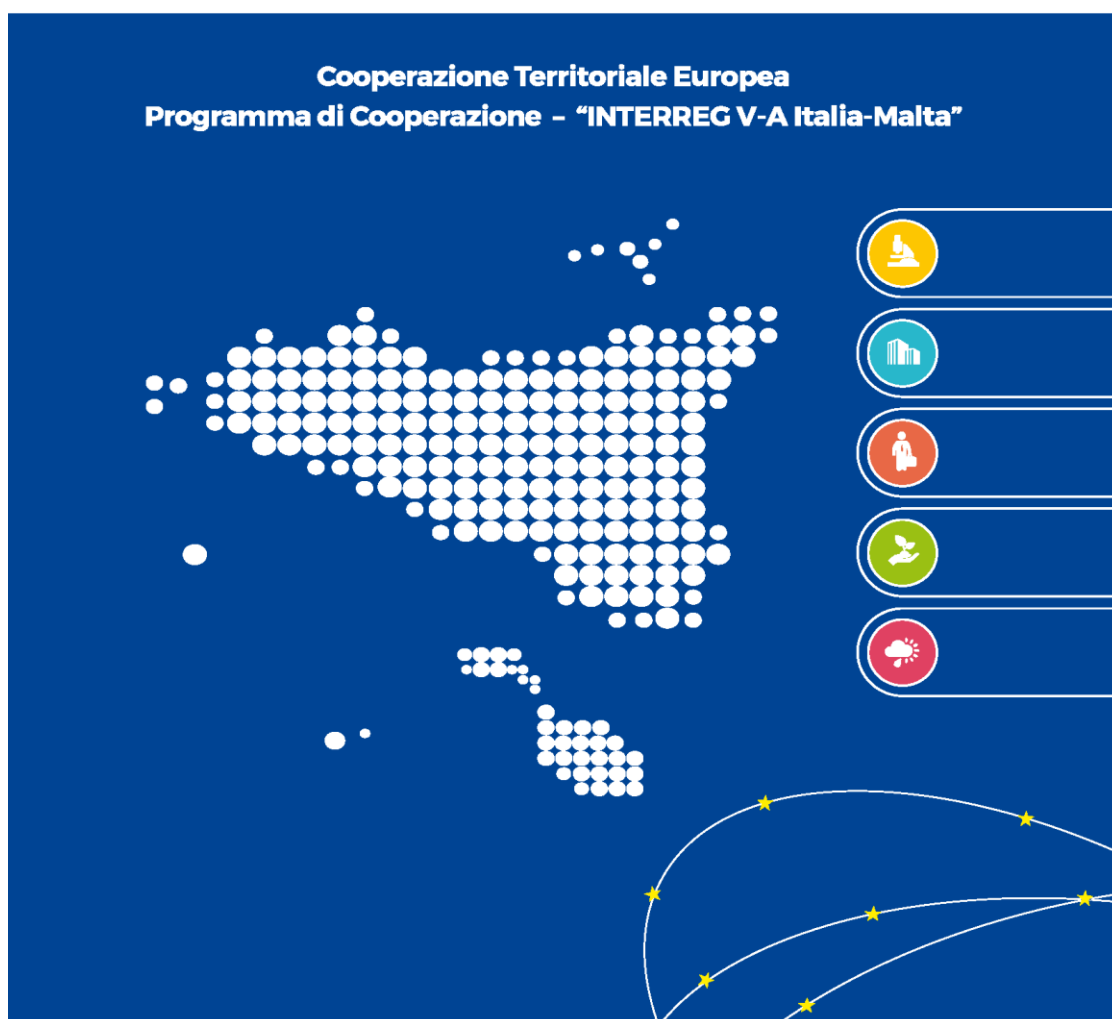


Manual for Expenditure and First Level Control Reporting

Interreg “V-A ITALIA MALTA”

ver. November 2019



SOMMARIO

1. FINANCIAL MANAGEMENT MANUAL.....	6
1.1 INTRODUCTION.....	6
1.2 RELEVANT LEGISLATION	6
1.3 ADOPTION AND REVISION	9
2. GENERAL REQUIREMENTS FOR ELIGIBILITY OF EXPENDITURE.....	9
2.1.1 PRINCIPLE OF EFFECTIVENESS.....	10
2.1.2 PRINCIPLE OF LEGITIMACY	10
2.1.3 PRINCIPLE OF LOCALIZATION.....	10
2.1.4 PRINCIPLE OF DOCUMENTARY EVIDENCE	10
2.1.5 PRINCIPLE OF TRACEABILITY.....	11
2.1.6 PRINCIPLE OF TEMPORALITY	11
2.1.7 PRINCIPLE OF PERTINENCE.....	11
2.1.8 PRINCIPLE OF NON CUMULATION	11
2.1.9 PRINCIPLE OF DURABILITY.....	12
2.2 SPECIFIC RULES FOR EXPENDITURE ELIGIBILITY	12
2.3 CONTRIBUTIONS IN KIND, FINANCIAL BURDEN AND OF OTHER KINDS, GUARANTEE AND LEGAL CHARGES, VAT.....	13
2.3.1 CONTRIBUTIONS IN KIND.....	13
2.3.2 FINANCIAL, and other type of BURDENS, , GUARANTEES AND LEGAL CHARGES, VAT	14
2.4 PROCEDURES FOR EXPENDITURES REPORTING AND DOCUMENTS CONSERVATION	15
2.5 NON ELIGIBLE EXPENDITURES.....	16
2.6 REVENUES GENERATED BY THE PROJECT.....	17
3. REPORTING AND CONTROL.....	20
3.1 GENERAL PRINCIPLES OF CLAIMING EXPENDITURE	20



3.2 TYPES OF CONTROLS AND METHODS OF VERIFICATION	21
3.3 IDENTIFICATION AND NOMINATION OF FIRST LEVEL CONTROLLERS	28
3.3.1 CONTROLLERS FOR ITALIAN BENEFICIARIES	Errore. Il segnalibro non è definito.
3.3.2 CONTROLLERS FOR MALTESE BENEFICIARIES.....	27
3.4 CHANNELS FOR IMPLEMENTING, REPORTING, CONTROL AND SUBMISSION OF THE REQUEST FOR REIMBURSEMENT	28
3.4.1 PRINCIPAL PHASES OF THE REPORTING EXPENDITURE PROCESS	28
3.5 MODALITY TO UPLOAD REPORTING AND MONITORING DATA ON ULYSSES SYSTEM.....	29
3.5.1 MODALITY FOR UPLOADING DATA.....	29

3



.5.2 TIMING FOR UPLOADING DATA	29
3.6 TYPE OF EXPENDITURE.....	31
3.6.1 STAFF COSTS.....	31
3.6.1.1 Staff expenses reported as real costs	32
3.6.1.2 Staff costs reported on the basis of flat rates	34
3.6.2 OFFICE AND ADMINISTRATIVE COSTS	34
3.6.3 TRAVEL AND ACCOMODATION COSTS.....	35
3.6.4 CONSULTANCY AND EXTERNAL SERVICES COSTS.....	37
3.6.5 EQUIPMENT EXPENSES.....	38
3.6.6 INFRASTRUCTURE COSTS	41
5. INFORMATION AND COMMUNICATION RULES	47
5.1 INFORMATION AND COMMUNICATION FULFILLMENTS	47



KEY TO ACRONYMS

AA	Audit Authority
AF	Application Form
AIR	Annual Implementation Report
CA	Certification Authority
CIPE	Inter-ministerial Committee for Economic Planning
	CUP Codice Unico di Progetto code
CP	Contact Point
CP	Cooperation Programme
EC	European Commission
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation
EU	European Union
FLC	First Level Control
IAID	Internal Audit and Investigations Department
IGRUE	General Inspectorate for the Relations with the European Union
IP	Investment Priority
IS	Information System
JS	Joint Secretariat
KETs	Key Enabling Technologies
LP	Lead Partner
MA	Managing Authority
MC	Monitoring Committee
MFIN	Ministry for Finance
MNCA	Maltese National Coordination Authority
NC	National Contribution
PA	Partnership Agreement
PP	Project Partner
R&D	Research and Development
RIS3	Malta's Research and Innovation Strategy
SC	Steering Committee
SCO	Simplified Cost Options
SME	Small and Medium Enterprises
SO	Specific Objective
SRI3	Regional Innovation Strategy for smart specialisation
TO	Thematic Objective
VAT	Value Added Tax
WP	Work Package



1. FINANCIAL MANAGEMENT MANUAL

1.1 INTRODUCTION

The Manual for expenditure reporting of the cross-border cooperation Programme Interreg "V-A Italy Malta" is a tool for the beneficiaries of the programme.

The aim of this document is to provide guidelines for the sound financial management, control of the financed operations and proof of the information and communication fulfillments.

1.2 RELEVANT LEGISLATION

This manual has been drawn up on the base of the following relevant legislation:

EU legislation

- Regulation (EU) no 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006;
- Regulation (EU) no 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal;
- Regulation (EU) no 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006;
- Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest;
- Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid;
- Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds;
- Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC Text with EEA relevance;
- Commission Implementing Regulation (EU) No 288/2014 of 25 February 2014 which approves the model through which the programmes regarding the European Territorial Cooperation goal have to be presented and submitted to the Commission;
- Directive 2014/24/EU Of The European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC
- Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes;



- Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty;
- Commission Implementing Decision C(2014) 3776 of 16 June 2014 setting up the list of cooperation programmes and indicating the global amount of total support from the European Regional Development Fund for each programme under the European territorial cooperation goal for the period 2014 to 2020;
- Commission Implementing Decision C(2014) 3898 of 16 June 2014 setting up the list of regions and areas eligible for funding from the European Regional Development Fund under the cross-border and transnational components of the European territorial cooperation goal for the period 2014 to 2020;
- European Commission decision C (2015) 7046 of 12 October 2015 which adopted the cross-border cooperation programme "INTERREG V-A Italy-Malta" for the support from the European Regional Development Fund under the European territorial cooperation goal for the period 2014 to 2020.

Italian legislation

- Delibera CIPE n. 15 del 28 gennaio 2015 recante Definizione dei criteri di cofinanziamento pubblico nazionale dei programmi europei per il periodo di programmazione 2014-2020 e relativo monitoraggio. Programmazione degli interventi complementari di cui all'articolo 1, comma 242, della legge n. 147/2013 previsti nell'accordo di partenariato 2014-2020.
- Legge del 13 agosto 2010, n.136 e ss. mm. ii. relativa al "Piano straordinario contro le mafie, nonché delega al Governo in materia di normativa antimafia" e ss.mm.ii;
- Decreto legislativo 18 aprile 2016, n. 50 "Codice dei contratti pubblici" e ss.mm.ii;
- Decreto Legislativo 23 giugno 2011, n. 118 recante "*Disposizioni in materia di armonizzazione dei sistemi contabili e degli schemi di bilancio delle Regioni, degli enti locali e dei loro organismi, a norma degli articoli 1 e 2 della legge 5 maggio 2009, n. 42*".
- Decreto Legislativo 30 marzo 2001, n. 165 - Norme generali sull'ordinamento del lavoro alle dipendenze delle amministrazioni pubbliche e ss.mm.ii.;
- Legge 6 luglio 2012, n. 94 Conversione in legge, con modificazioni, del decreto-legge 7 maggio 2012, n. 52, recante disposizioni urgenti per la razionalizzazione della spesa pubblica;
- Decreto Legge 6 luglio 2012, n. 95 recante Disposizioni urgenti per la revisione della spesa pubblica con invarianza dei servizi ai cittadini;
- DECRETO DEL PRESIDENTE DELLA REPUBBLICA 5 febbraio 2018, n. 22 Regolamento recante i criteri sull'ammissibilità delle spese per i programmi cofinanziati dai Fondi strutturali di investimento europei (SIE) per il periodo di programmazione 2014/2020.

Maltese legislation and guidance notes

- Public Procurement Regulations, LN 352/2016 and Subsidiary Legislation 174.04 and any subsequent amendments



- State Aid Monitoring Regulations: Subsidiary Legislation 325.07 and LN 210 of 2004 and any subsequent amendments;
- Environment Protection Act: Chapter 435 of the Laws of Malta and any subsequent amendments;
- Development Planning Act: Chapter 356 of the Laws of Malta and any subsequent amendments;
- Environment Impact Assessment Regulations: Subsidiary Legislation 549.46, as amended by LN 412 of 2017;
- Equality for Men and Women Act: Chapter 456 of the Laws of Malta as amended by LN 427 of 2007 and any subsequent amendments;
- Equal Opportunities (Persons with Disability) Act – Chapter 413 of the Laws of Malta as amended by LN 426 of 2007 and any subsequent amendments;
- Value Added Tax Act: Laws of Malta – Chapter 406 of the Laws of Malta and any subsequent amendments;
- Financial Administration and Audit Act: Chapter 174 of the Laws of Malta and any subsequent amendments;
- Data Protection Act – Chapter 440 of the Laws of Malta and any subsequent amendments;
- Voluntary Organisations Act: Chapter 492 of the Laws of Malta and any subsequent amendments;
- Late Payment Directive: LN 272 of 2012 and any subsequent amendments;
- Local Councils Act: Chapter 363 of the Laws of Malta and any subsequent amendments;
- Partnership Agreement for Malta 2014-2020¹
- Annual Financial Estimates issued by MFIN
- MFIN Circular 5/2014² - European Territorial Cooperation Programmes and the ENI CBC MED Programme - National Financial Procedures
- Subsistence Allowance: MFEI Circular No 1/2008 and No 6/2009³
- National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020⁴:

¹ <https://eufunds.gov.mt/en/Information/Pages/Partnership-Agreement.aspx>

² <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/EU%20Territorial%20Programmes/Pages/Circulars.aspx>

³

<https://eufunds.gov.mt/en/Operational%20Programmes/Useful%20Links%20and%20Downloads/Documents/Travel%20Amendments%20March%202009.pdf>



Beneficiaries must observe and comply with the relevant legislation which may affect the implementation of the operations.

1.3 ADOPTION AND REVISION

The financial management manual was approved on 09/05/2018 and published on Interreg “V-A Italy-Malta” Programme official website www.italiamalta.eu.

Any amendment to this document that may be necessary during the programming period shall be approved by the Managing Authority and communicated to Programme’s Authorities.

The updated version has been released in November 2019

2. GENERAL REQUIREMENTS FOR ELIGIBILITY OF EXPENDITURE

For the period 2014-2020, with regard to expenditure eligibility, Art. 65 of Regulation (EU) no. 1303/2013, established that the eligibility of expenditure shall be determined on the basis of national rules, except where specific rules are laid down in, or on the basis of the same Regulation and what is provided by the European Regulations concerning any Structural Fund and the Regulation for the implementation of each Fund. What is not regulated by EU Regulations, it is disciplined by national and regional legislation in force, or under the public notices and call for tenders that form *lex specialis*.

Therefore, the Commission is in charge of adopting rules concerning expenditure eligibility for the cost categories provided by Reg. (EU) no. 1299/2013.

With regard to the ETC’s objective, specific rules concerning eligibility of expenditure are laid down by the Commission Delegated Regulation (EU) No 481/2014.

For issues that are not disciplined by the rules concerning the eligibility of expenditure established by the Regulations or by the Programme’s rules, they are disciplined by national legislation of the Member State in which expenditure is incurred.

In view of this, the eligibility of the different types of expenditures is, hence, agreed upon the following order:

- The European Regulation applicable to this subject and in particular the regulation above reported;
- Specific rules of INTERREG V-A Italia-Malta Programme, in particular those explained in the next paragraphs and
- the Rules concerning eligibility of expenditure established at national level.



From the content point of view, Reg. (EU) no. 1303/2013 states that expenditure can be eligible for the co-financing ESI Funds, where it complies with the following principles: effectiveness, legitimacy, localization, documentary evidence, traceability, temporality, pertinence, non-cumulation and stability.

2.1.1 PRINCIPLE OF EFFECTIVENESS

It shall be verified that the expenditure is effectively incurred and corresponds to the payments realized by the beneficiary for the implementation of the co-financed operation and had produced accounting record in conformity with the sector's legislation and the accounting principle. The sole exceptions are the costs that, according to the rules and where eligible, they are subjected to deferred payments (for example employees' contributions, withholding tax, TFR, IRAP etc.) as well as, in the case of State Aid, the advance payments made by the body that gives the aid to the beneficiary, where cumulative conditions regulated by Art. 131, paragraph 4, letters a, b and c of the General Regulation are fulfilled.

2.1.2 PRINCIPLE OF LEGITIMACY

It shall be verified that the expenditure incurred is legitimate, hence, in compliance with the financial, accounting and civil legal provisions in force at European, national and regional level, as well as in compliance with what is provided by the Programme about the support conditions for the relative operation.

2.1.3 PRINCIPLE OF LOCALIZATION

It shall be verified that the expenditure incurred is related to a localized operation in the Programme's area.

The sole exceptions are the operations for which the MA accepted that are made, completely or partially, beyond the EU part in the Programme's area, acknowledging the benefit for the Programme, provided that all the conditions of Art. 70, paragraph 2 of the general Regulation are fulfilled.

2.1.4 PRINCIPLE OF DOCUMENTARY EVIDENCE

According to Art. 131, paragraph 2 of the General Regulation, an eligible expenditure included in the financial report must be proven and justified by invoices or by accounting documents of equivalent probative value in original, exclusively addressed to the beneficiaries and proving the real payment made by them.

It shall also be verified that the expenditure incurred produced adequate accounting records, in accordance with the legislation in force, the accounting principles and the specific provisions established for this subject. In the case of State Aid, an exception is provided when advances are paid to the beneficiary by the body giving the aid, as long as the cumulative conditions regulated by Art. 131, paragraph 4, letters a, b and c of the General Regulation are fulfilled.

If the beneficiary requested the use of simplified costs (Flat rate of staff costs – 20% of other direct costs in accordance with Art. 19 of Reg. 1299/2013) and Flat rate of office and administrative expenditure – 10% of the staff costs according to Art. 68. Paragraph 1, letter b of Reg. 1303/2013, it is not necessary to verify the accounting documents concerning those expenditures. Nevertheless, it will be the responsibility of the assigned controller to verify, following the provisions as in paragraphs 3.6.1 e 3.6.2, the reconciliation of those costs on the base of the calculation provided by the Public Notice and the Programme Implementation Manual.



2.1.5 PRINCIPLE OF TRACEABILITY

It shall be verified that the payments are trackable and verifiable, hence, realized through bank transfer payable to the supplier with proof of charge in the bank account. Cash payments or payments by personal credit card are not eligible.

Expenditures must be correctly reported in line with legislative provisions and accounting principles and, if it is the case, with the specific provisions of the MA. In general, the beneficiaries have to establish an accounting system separated for the operation or an adequate accounting codification, that guarantee a clear identification of the expenditure related to the operation compared to the expenses (or incomes) of the Beneficiary for other activities.

2.1.6 PRINCIPLE OF TEMPORALITY

In accordance with Art. 65 of the General Regulation, at programme level, expenses are eligible for the ESI Funds co-financing, if they have been incurred by the beneficiary and effectively paid between the date of the presentation of the Programme to the European Commission or the 1st January 2014, if earlier, and the 31 December 2023. Operations shall not be selected for support where they have been physically completed or fully implemented before the application for funding under the programme is submitted by the beneficiary to the managing authority, irrespective of whether all related payments have been made by the beneficiary.

At the Project level, with exception of the “preparatory costs”, project activities and relative expenses are eligible if effectively incurred within the period between the start date and end date of the Project as stipulated in the Subsidy Contract.

The end date of the project must be considered as the last date for ending project activities. Afterwards, the Beneficiary will have a period of 40 days within which it must close any financial circuit and therefore provide the receipt of invoices and/or documents of equivalent value.

For what concerns the possible expenses incurred in the preparation of the project, they are eligible only if they are explicitly provided and approved by the application form. Those expenses, under penalty of exclusion, must be included in the first request of reimbursement of the project.

2.1.7 PRINCIPLE OF PERTINENCE

It shall be verified that the expenditure is pertinent and directly or indirectly attributed to the implementation of the specific operation in which the Beneficiary takes part, that has been selected and approved by the MC.

2.1.8 PRINCIPLE OF NON CUMULATION

For the purpose of observing the prohibition of funding cumulation and avoiding double financing for the same expenses, all the documents justifying expenses and payments (the originals or the other possible formats provided by the legislation in force) must observe the legislation of reference in terms of “cancellation” of the expense, hence have a stamp or, in the case of digital justifying documents, indicate at



least the minimum essential data such as the Codice Unico di Progetto CUP code, Project title and the Programme of reference, in addition to the amount recorded (similar information must be included in the reasons for any bank transfer or electronic invoice)

In view of this and in order to comply with the prohibition of funding cumulation, all the originals of the documents justifying the expenses (invoices, receipts and/or accounting documents having equal probative value) must be authenticated through the application of a stamp that reports the following denomination:

"Expenditure incurred with the Funds of the cooperation programme INTERREG V-A Italy-Malta in the framework of the Project _____ cod. no. _____ for an accounted amount of €. _____ reporting n. _____.;"

2.1.9 PRINCIPLE OF DURABILITY

The verification of the principle of durability of operations, as in Art. 71 of the General Regulation, is carried out through in order to verify the persistence of specific conditions for the different types of operations.

The maintenance of the envisaged function of project's achievements is a compulsory condition, hence, in the following 5 years (3 for SMEs) the following must not occur:

- Termination or relocation of a production activity beyond the programme's area;
- Change of ownership of an infrastructure that provide undue advantage to an enterprise or a public body;
- Relevant amendment altering the nature, the objectives or the conditions for implementing the operation, with the result of compromising the original objectives.

2.2 SPECIFIC RULES FOR ELIGIBILITY OF EXPENDITURE

Eligible expenses are those provided by the items of expenditure of the project's AF.

For what concerns the coherence of the verity of expenses declared for reimbursement, the expense must also fulfill the following eligibility requirements:

- a) It must strictly refer to the activities provided in the Application Form approved by the MC and be directly functional to the achievement of the Project's objectives;
- b) It must be paid in compliance with the regulations in force in the field of accounting and in line with the accounting regulations of each Beneficiary administration.

For Italian beneficiaries, if the conditions are met, it remains valid the possibility of using their own internal regulation for the supply of goods and services in direct administration, provided that:

1. The regulation has been approved in line with the provisions of Legislative Decree no. 50 of 18 April 2016 "Application of directives 2014/23/EU, 2014/24/EU e 2014/25/EU on the award of concession contracts, on procurement by entities operating in the water, energy, transport and postal services sectors, as well as on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts;



2. An informal "market research" is acquired as Beneficiary's evidence, in order to ensure the sound economic and financial management for the expenditures borne within the framework of INTERREG V-A Italy-Malta Programme.
 - c) It must comply with Law no. 136/2010 provisions, as amended by the L.D of 12 November 2010 no. 187 converted into law, with amendments, from law no. 217 of 17 December 2010 concerning financial traceability obligations;
 - d) It must have a reasonable amount and must respect the principle of sound financial management, rational allocation of resources and economic management;
 - e) It must be definitively inscribed and tracked in the general accounting of the Beneficiary (without possibility of recovery) and clearly identifiable and distinguishable from the expenses for activities of other nature;
 - f) It must be supported by a Technical Report of the activities that specifies in details the link between the recorded expenditure and the relative Project/output activities which it relates (pertinence and conformity of the expenditure to the activities/output of the Project);
 - g) It must be accounted/recorded according to the procedures of the Programme's Authorities.

For what concerns financial movements, the expenses must be paid exclusively via bank transfer or payment mandate.

For the purpose of eligibility, it is necessary that the invoice is issued within the period between the commencement date of the project and the official end date of the project. Payment should be effected and receipts obtained by not later than 40 days following the conclusion date of the project.

Eventually, it is specified that the beneficiaries, whose legal status is private, besides observing the rules already provided by the financial management manual, will have to publish on www.italiamalta.eu website all the procurement procedures including the acquisition of internal and external human resources, in order to guarantee maximum involvement, transparency and respect of the general principles of impartiality provided by the European legislation.

Possible expenses related to the implementation of the operations that were not published on INTERREG V-A Italy-Malta Programme's website, will be considered ineligible and any possible change will be considered not acceptable by the controllers in charge.

2.3 CONTRIBUTIONS IN KIND, FINANCIAL BURDEN AND OF OTHER KINDS, GUARANTEE AND LEGAL CHARGES, VAT

2.3.1 CONTRIBUTIONS IN KIND

Contributions in kind are considered eligible in accordance with art. 69, paragraph 1 of the general regulation, if explicitly included in the approved Application Form and if all the following criteria are fulfilled:

- a) They consist on the provision of land, real estate, equipment, materials or research activities or professional activities or voluntary services;



- b) The amount of expenditure is justified by accounting documents having a probative value equivalent to invoices;
- c) The value can be independently assessed and audited;
- d) For the same expenditure, goods have not made use of national or European financial supporting measures;
- e) The co-financing of the ESI Funds for the operation, does not exceed the total eligible expenditure, excluding contributions in kind, at the end of the operation (Art. 69, paragraph 1, letter a of the General Regulation);
- f) The value attributed to contributions in kind does not exceed the costs generally accepted on the market in question (Art. 69, paragraph 1, letter b of the General Regulation);
- g) The value and the delivery of the contribution are independently assessed and verified (Art. 69, paragraph 1, letter c of the General Regulation);
- h) In the case of provision of land or real estate:
 - The respective value is certified by a qualified and independent professional or by an authorized body;
 - Cash payment for the purpose of a lease agreement of a nominal amount per annum does not exceed a single unit of the currency of the Member State (Art. 69, paragraph 1, letter d of the General Regulation);
- i) in the case of contributions in kind in the form of unpaid work, the value of that work is determined by taking into account the verified time spent and the rate of remuneration for equivalent work (Art. 69, paragraph 1, letter e of the General Regulation);

2.3.2 FINANCIAL AND OTHER TYPE OF BURDENS, GUARANTEES AND LEGAL CHARGES, VAT

In line with provisions of European Regulations for 2014-2020 period (in particular Regulation (EU) no. 1303/2013 and the Delegated Regulation (EU) no. 481/2014), as well as with national provisions, indications concerning eligibility of expenditures related to levies, financial burdens, taxes and expenses incurred within the framework of the financed operation are the following:

The **Value-Added Tax (VAT)**, effectively and definitely incurred by the Beneficiary, is an eligible expenditure provided that it is not recoverable in compliance with the national legislation of reference. In this case, the VAT cost must be indicated in the same cost category of the invoice of reference; particularly, if the good or service expenditure is eligible to financing only partially, the same percentage will be applied to the VAT. In the case of pro-rata, the VAT can be accounted to the extent of the same amount calculated on the last financial year. In the case of partially non-recoverable VAT – according to specific legislative provisions for specific goods and/or services – the accountable VAT must be the non-recoverable one and effectively not recovered as provided by the legislation.

If the VAT is recoverable by the Beneficiary, the costs of the good or service to which is referred, must be reported excluding VAT.

It is also considered eligible expenditure the stamp duty, since it is incurred in connection to an operation.



Similarly, any other tax or financial, insurance and social security burden for operations co-financed by ESI Funds constitutes an eligible expenditure if it is not recoverable by the Beneficiary.

With regard to **IRAP** (Regional tax for productive activities) for Italian beneficiaries only, the IRAP tax base for taxable persons is calculated, for non-commercial activities, exclusively with the remuneration method, ie determined by amount of remuneration paid to employees, income equivalent to those of employees and remuneration paid for coordinated and continuous collaboration, as well as for self-employment activities not normally exercised; otherwise in all other cases, ie for taxable persons that determine the tax base for IRAP purposes based on the difference between the value and costs of production (so-called contributory or analytical method), the tax does not constitute an eligible cost and therefore the relative cost can not be reported on the financed operation.

2.4 PROCEDURES FOR EXPENDITURES REPORTING AND DOCUMENTS CONSERVATION

According to Art. 125 paragraph 4 of Regulation (EU) No 1303/2013, the MA, among its responsibilities, ensures that beneficiaries involved in the implementation of operations reimbursed on the basis of eligible costs actually incurred maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation.

In the framework of the implementation of INTERREG V-A Italy-Malta Programme, the Lead Partner adopts and ensures that the Partnership adopts a separate accounting system or an adequate accounting code for all transactions relating to an operation.

Such separate accounting system ensures, at a project level, a clear identification of the Project expenditure compared to the Beneficiary expenditure concerning other activities, through detailed information concerning expenditure and payment data, namely:

- amount of records and/or of documents concerning the expenditure;
- amount of the payments related to the expenditure documents;
- details (ex: number and date) of the record or expenditure and payment documents related to the Project.

The Lead Partner ensures as well that the Beneficiaries elaborate a digital format of the documentation concerning the accounting registration of invoices and payments: such version is transmitted to the following checking levels through the Programme Ulysses System (Art. 125 paragraph 2, letter d of Regulation (EU) No 1303/2013), whereas the original and/or the copies of digital documents is archived at the Beneficiary's premises.

The Beneficiaries shall keep the documents either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only for the time period referred in the national legislation in force, acknowledging provisions of Art. 140 of Regulation (EU) No 1303/2013.



According to Art. 140 of Regulation (EU) No 1303/2013, all supporting documents shall be made available for a two year period from 31 December following the submission of the accounts in which the final expenditure of the completed operation is included. The time period referred to in the first subparagraph shall be interrupted either in the case of legal proceedings or by a duly justified request of the Commission. The MA will inform the lead partner when the final expenditure is included in the accounts sent to the European Commission. The Lead partner will then inform all the partners involved in the project.

With regard to State Aid, the terms for the conservation of registers and the information are laid down by the rules or by the Authorizing Decisions of the applicable regime for the related operations. For what concerns the exempted aids ex-Regulation (EU) No. 651/2014 and *de minimis* aid ex Regulation (EU) No. 1407/2013 and 1408/2013, the aforementioned time limits are established in 10 years from the date in which it was given the last aid under the scheme.

The documentation shall be made available to all the Authorities of the Programme, to the Commission and the other European and National Audit bodies for checks / inspections / audit.

The administrative and accounting documents pertaining to all phases of the implementation of an operation must be archived in paper format and/or electronic files. The filing must be organized in a manner that allows easy access to and consultation of documents, in the formats envisaged by EU legislation and by the national reference legislation.

Where the documents are available exclusively in electronic format, the IT systems used must meet the relevant security standards and ensure that the documents held comply with national legal requirements and are reliable for the purposes of any audit activity.

2.5 NON ELIGIBLE EXPENDITURES

Except for the specific cases, indicated in the previous paragraphs, concerning eligibility conditions of some items of expenditure – such as VAT, financial lease, contributions-in-kind - there are some cost categories that are completely ineligible according to legislative provisions of reference. In accordance with Art. 2 of Reg.481/2014 and Art. 69, paragraph 3, letter a), of Reg.(EU) no. 1303/2013, the following costs shall not be eligible for a contribution from the ESI Funds:-

- a) interests on debt;
- b) the portion of the purchase amount of unbuilt and built land which exceeds 10 % of the total eligible expenditure for the operation concerned. For derelict sites and for those buildings, formerly in industrial use, the above stated limit shall be increased to 15 %. In exceptional and duly justified cases, the limit may be raised above the respective aforementioned percentages for operations concerning environmental conservation;
- c) recoverable VAT;
- d) fines, financial penalties and expenditure on legal disputes and litigation;
- e) costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information;
- f) costs related to fluctuation of foreign exchange rate;
- g) deactivation or construction of nuclear power station;



- h) Investments to reduce greenhouse gas emission deriving from activities listed in annex I of Directive 2003/87/EC;
- i) manufacturing, transformation and commercialization of tobacco and its products;
- j) companies in difficulty, as defined by European rules concerning State Aid;
- k) Investments in airport infrastructures except those linked to the environmental protection or accompanied by investments necessary for mitigating or reducing their negative environmental impact.

2.6 REVENUES GENERATED BY THE PROJECT

Where applicable the term “revenues”, it is meant the cash in-flows directly paid by the users for goods or services provided by the operation, such as charges borne by users for the use of infrastructure, sale or rent of land or buildings or payments for services.

The net revenues correspond to the value of revenues generated by the Project during a specific period less the possible operating costs and replacement costs of short-life equipment incurred within the corresponding period.

If the investment cost is not fully eligible for contribution, the net revenues are charged in proportion with the eligible expenditures.

With reference to the net revenues, there are two cases:

1. **operations generating net revenues after their completion** (Art. 61, paragraphs from 1 to 6 of Reg.(EU) no. 1303/2013), in other words, operations that have a potential capacity to generate net revenues during a specific period of reference that covers both the execution of the operation and the following period after its conclusion; for these operations, it is taken into account the above-mentioned capacity of generating net-revenues to reduce the eligible expenditure in advance; This is not applicable to operations for which the contribution within a programme constitutes a “de minimis” aid or State aid compatible with SMEs, with the application of a limit to the intensity of the aid to the amount of the aid related to the State aid;
2. **operations generating net revenues during their implementation** (Art. 65, paragraph 8 of Reg.(EU) no. 1303/2013, which exclude for these operations the application of Art. 61 paragraphs from 1 to 6), in other words, net revenues that were not taken into account at the time of approval of the operation and that were directly generated only during its implementation, not later than at the final payment claim submitted by the Beneficiary. In that case, the eligible expenditure is reduced in the process. This case is not applied to the operations for which the total eligible cost does not exceed EUR 50.000 and to the operations subject to State Aid rules.

Detailed indications concerning the first case are given in the following part, for which it is required to the potential beneficiaries, where possible, an anticipated estimate of the net revenues, in order to reduce in advance the eligible expenditure.

The potential beneficiaries have to understand, before the presentation of the project proposal:

- if the Project can generate revenues;



- in the positive case, if it falls within the first or second case;
- if the Project falls within the first case (hence generating net revenues after its completion), if the net revenues can be estimated ex ante or not estimable. Such distinction is functional to the determination of the applicable calculation method.

Hereinafter, are given some indications on specific project elements that can characterize the two types of Projects:

- A. The **Projects for which it is possible to estimate the revenues ex ante** are characterized by two elements:
1. Fees are based on a clearly expressed and defined policy, or at least predictable;
 2. The demand is estimable on the base of template and data available and/or on opinions based on past experiences;
- B. The **Projects for which it is not possible to estimate the revenues ex ante** are characterized, instead, by the lack of data and past experiences, in relation both to the pricing policy and the quantification of the estimated demand, because it is possible to formulate estimates only on a subjective basis. These elements can be identified, for instance, in the Projects which main characteristic is innovation, since the demand is generated by the offer and it is not possible to determine in a subjective way an adequate estimate of the demand and the pricing policy.

In the case of Projects with revenues estimable ex ante, it is necessary to apply the calculation method defined by the MA in the following acts.

In this regard, the Regulation (EU) no. 1303/2013 allow two choices:

1. The application of a flat-rate percentage of net revenues for the sector or subsector applicable to the operation, according to the definition in Annex V or in one of the delegated acts, paragraphs 2, 3, 4 of Art. 61 of the same.
2. The calculation of the discounted net revenues, taking into account the adequate period of reference for the sector or subsector applicable to the operation, the expected profitability for the investment category in question, the application of the "polluter pays" principle and, if it is the case, considerations of equity linked to the relative wealth of the Member State or interested region.

For the **Projects with ex ante estimable revenues**, the Beneficiary shall communicate regularly the revenues and costs of management in the monitoring reports/requests of reimbursement in line with the defined procedures.

Whether the eligible expenditure, calculated on the base of the actual net revenues, is reduced, the Beneficiary shall reimburse the difference between the amount of the contribution received and the amount recalculated.

In the case of **Projects which do not have ex ante estimable revenues**, for which it is objectively impossible to evaluate the revenues in advance, the net incomes generated within the three years after the completion of an operation or within the deadline for submitting the documents for the conclusion of the Programme established by the specific rules of each Funds, are deducted from the expenditure declared to



the Commission if preexistent. In this case, the Beneficiary shall communicate the revenues and costs of management regarding the next three years after the completion of the investment, in compliance with the procedures defined by the MA. Such net revenues will determine the amount of the contribution to pay back.

The deduction will be realized by the Managing Authority no later than the partial or final conclusion of the Programme. The request for payment of the final balance will be adjusted accordingly.



3. REPORTING AND CONTROL

3.1 GENERAL PRINCIPLES OF CLAIMING EXPENDITURE

The claim of expenditure is a summary of the expenditures that were actually incurred during the implementation of project activities, and need to be processed exclusively through the Ulysses system for each beneficiary and for each expenditure, in order to be validated and submitted for the intermediate/final Request for Reimbursement.

The Claim for expenditure must also include the following documentation in order to be considered eligible:

- a) Administrative and accounting documentation, starting from the commencement of the public procedures for the selection of providers up to the documentary evidence of the expenditure incurred;
- b) Legally binding documents (contracts, agreements, order notes, job orders, etc.).

Each beneficiary is required to produce certified true copies of the documentation described in point a) and b) in order to submit the expenses to the first level control.

The relevant supporting documentation must be attached with every claim submitted. This is required as evidence of the existence, relevance, coherence and plausibility of the items of expenditure.

Whenever the supporting documentation cannot be immediately linked to the amount being claimed (for example, in the case of amounts which refer to several supporting documents or amounts that are the result of calculation made on the amount of the supporting documents), the appropriate documentation (e.g. calculation sheets, spreadsheets, other evidence), required to verify the respective expenditures claimed, must also be attached.

In the case of supporting documentation referring to an expenditure, which may be claimed under more than one WP/Activity, the partners must submit a copy of the required documentation for every budget line item to which this relates. Otherwise, the beneficiary must establish a reference system, which makes it easier for the first level certifying controller to link the expense with the supporting document.

In the case of supporting documents, which are common to more than one reporting period for the same project (e.g. VAT declarations, contracts with service providers, Curriculum Vitae, instructions issued), the beneficiaries (lead partner and project partner) must clearly indicate in which previous claim such documents have already been uploaded in Ulysses, or attach the same documentation to each claim.

The amounts of expenditure reported must be in line with the total budgetary allocation and also with the respective expenditure item. In the case of a service, which relates to activities that fall within a different expenditure item, it is necessary to split the costs related to the contractor's invoice, amongst the respective expenditure items of the approved financial plan.



3.2 FIRST LEVEL CONTROLS

The phrase “first level controls” means the set of checks to be carried out pursuant to Article 125 of Reg. (EU) n. 1303/2013. These are essentially controls exercised concurrently with the management of the intervention and aimed at ascertaining the correctness of implementation of operations. Such checks, in preparation to the presentation by the Managing Authority of the declaration of expenditure of the Programme and of the requests of reimbursements to beneficiaries, are distinct from any further checks that are carried out respectively by the Certifying Authority and the Audit Authority.

The Programme’s Managing Authority performs the functions as set out in Article 125 of Reg. (EU) n. 1303/2013, without prejudice to paragraph 4 of art. 23 of Reg. (EU) n. 1299/2013. In this regard, each of the two Member States of the Programme, pursuant to art. 23, paragraph 4, of Regulation 1299/2013 designates the body or person responsible for conducting these checks in relation to the beneficiaries on their territory (the “controller/s”) ensuring that the expenses of a beneficiary can be verified within three months from the presentation of the documents by the beneficiary concerned.

The Managing Authority ensures that the expenses of each beneficiary participating in an operation have been verified by a designated controller.

3.2.1 TYPES OF CONTROLS

With regard to the types of controls, there are three main areas:

a) Administrative control (compliance with standards)

It verifies the compliance with the European, national⁵ and regional administrative and legislative provisions that regulate the programming and managing activities financed with public resources. It verifies also the compliance with any other guideline document of the European Commission (EGESIF notes, etc.) and with what is provided by the programme and the public notice in the subsidy contract signed between the MA and the Lead Partner. Such control regards the administrative and accounting documentation submitted by the beneficiary during the different implementation phases, according to the timeline provided for the contractual documents to carry out the operation.

⁵Maltese entities should refer to the National Complementary Requirements Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020 and the respective annexes, which may be downloaded from the following link:

https://eufunds.gov.mt/en/EU%20Funds%20Programmes/EU%20Territorial%20Programmes/Documents/documents%20and%20downloads/Manual%20of%20eligible%20expenditure%202014-2020/updated%2027th%20July%202017/ETC%20manual%20of%20eligible%20expenditure_revised%20version_24%20July%202017.pdf



The type of documents, that will be checked, varies according to whether the request for reimbursement is intermediate or final, i.e. whether it is being submitted during the development or conclusion of the operation. In any case, the administrative checks done at the end have to ensure the eligibility and accuracy of the expenditure claimed by the beneficiary/person in charge of the fulfilment of the operation.

b) Financial control (financial regularity)

The financial check aims at verifying the existence of the supporting documents, the legitimacy and accuracy of the submitted documentary evidence of expenditure and payment, as well as the eligibility and coherence of the expenditures claimed in the requests for reimbursement. The verification of the accurate calculation of the contribution given to the beneficiary and the verification of the clearance of the expenditures incurred in the admissibility period provided by the contracts, fall under this category.

a) Physical/technical control (regularity of implementation)

The physical/technical check of the operation is one of the priorities for on-site verifications and aims at evaluating and verifying the compliance of the physical and technical elements of the operation co-financed within the European and national legislation, the programme and what is provided by the public notice. Such control has to verify especially:

- The real implementation of the activities of the operation (e.g. research activities, testing activities, etc.);
- The real fulfilment of the works in case of infrastructure;
- The real supply of products and services co-financed.

It also aims to verify the coherence of the investments carried out under the approved project and what the beneficiaries have declared.

3.2.2 MODALITIES OF CARRYING OUT CONTROLS

With regard to the **methods of verification**, according to art. 125 par. 5 of the General Regulation, they are divided in:

- **Administrative verifications** of all claims for reimbursement presented by each beneficiary;
- **On-the-spot checks** of individual operations, based on a sample basis.

Administrative checks

Administrative checks must be carried out during the operations – by the controllers assigned to each beneficiary - before the Lead Partner verifies the compliance and the coherence of the expenditures incurred by each partner with the objectives envisaged by the Project. It is mandatory for the Lead Partner to delete the expenses considered not eligible according to art. 13, par. 2, letter c) of Regulation (EU) 1299/2013.

The administrative checks on the beneficiary's documentation of the expenditure incurred should cover 100% of the expenditure reported and the relative supporting documents (of expenditures and payments). The administrative check is based on the examination of the expenditure reporting documents, submitted by each beneficiary, and on other relevant supporting documentation, especially the documents related to the selection procedures of goods and/or services providers, the supporting documents of expenditures and payments (e.g. invoices, receipts, orders of payment, etc.) and the documentation of supply/realization of the work/goods/services (e.g. advance payments, delivery documents, etc.)



The above-mentioned documentations must comply with:⁶

- The European, national and regional legislation of reference (including public procurement legislation, State Aid legislation, eligibility of expenditure legislation, documentability of the civil and fiscal aspect of the expenditure legislation, where applicable, environmental legislation and non-discriminatory and equal opportunity legislation);
- The INTERREG V- A Italia-Malta Programme;
- The Public notice for the selection of operations;
- The project as approved during the selection phase;
- The documents (Implementation Manual, Subsidy Contract and Partnership Agreement) through which, according to art. 12, par. 5, the MA defines for each operation the conditions, including the specific requirements related to products and/or services to provide during the operation, the financial plan and the deadline of implementation;
- The contracts or other legally binding acts, adopted for the implementation of the operation;
- The guidelines of the European Commission, explicative letters of the MA, etc.
- National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020.

The check on the documentation depends obviously on the type of operation (goods and services acquisition, aid to enterprises) as well as on the type of expenditure and it is centered on the following aspects:

- Accuracy of the procedures for selecting the operations, compliance with the applicable legislation of reference and coherence with selection criteria approved by the MC;
- Existence of the administrative documentation related to the operation, which proves and justifies the right of receiving the financial contribution; existence of the legally binding act between MA and LP and its coherence with the Programme, the Subsidy Contract and the Partnership Agreement;
- Completeness and coherence of the expenditure reporting and the expenditure supporting documentation attached (invoices or equivalent accounting documents) according to the relevant national and European legislation, the Programme, the call for project proposals, the Subsidy Contract and Partnership Agreement;
- Accuracy of the supporting documentation for expenditure according to the relevant legal and fiscal obligations;
- Consistency with law, eligibility of the expenditure compliant with the thresholds allowed by the relevant European and national legislation, by the Programme, by the call for project proposals, by the Subsidy Contract and Partnership Agreement. This check must also be applied to individual expenditure items included in the report submitted for control;
- Eligibility of the expenditure incurred during the eligibility period established by the Subsidy Contract and Partnership Agreement;
- Accuracy and traceability of the expenditure incurred and reported to the beneficiary in the claim for reimbursement;
- Absence of double funding;
- Compliance with the European and national legislation for public procurement;

⁶ The list is not exhaustive. Other regulations may apply.



- Compliance with the European and national legislation for State Aid, environmental laws and non-discriminatory and equal opportunity legislation;
- Compliance with the European and national legislation and Programme/National Publicity Guidelines for publicity and information;
- Accuracy of the application of simplification of costs method;

Such checks are made official through specific check-list and minutes, adjusted to the specific types of operations examined (refer to Annexes).

The controller shall upload them with the certificate of the approved expenditure to Ulysses. The certificate of approval will report the expenditures reported, the eligible and non-eligible amounts.

In any case, the documentation related to each check must highlight the work that has been done, the date and the results of the verification, supported by the examined documentation, including the full description of possible irregularities and the identification of the European and national rules, which have not been adhered to, as well as, the relative measures taken. In case of irregularity, the amount related to each irregularity must be clearly indicated, hence the amount that cannot be considered eligible and therefore cannot be certified by the European Commission.

On-the-spot checks

In conjunction with the administrative checks on all the reports of expenditure presented by the Beneficiaries, the first level controllers must perform a physical on-the-spot check, at least once during the lifetime of the project. The on-site assessment must therefore be considered as a further step of the management verification, as an addition to the desk check verifications.

Given the different nature of the beneficiaries of the programme (agencies, public bodies, bodies governed by public law and private bodies) and the associated risk of any irregularities in the process of generation and payment of expenses, the Control Unit for the Sicilian part and the Financial Control Unit (FCU) for the Maltese side shall perform verifications on a sample basis on the first level control performance, on the quality of the control system and on the correct implementation of the contents of art. 23(4) of EU Reg. no. 1299/2013. The sampling methodology is based on a risk assessment analysis exercise that ought to be revised from time to time as deemed fit. The relative sampling procedure will outline the justifications for carrying out the specific sampling, the risk analysis associated with the programme and the sampling method used. In the risk analysis, one must take into account the amount reported by the partner and the type of the same (public/private).

In any case, the Control Units shall guarantee that all those instances "reported" by the Audit Authority (based on previous systems or operations audits) or other control bodies of the Program will be checked. In any case, for all Italian and Maltese beneficiaries, at least one on-the-spot check must be carried out during the progress of the project.

On-the-spot checks at the beneficiaries are aimed at ascertaining the legitimacy and regularity of the operation's expenditure with respect to European and National legislation and Programme regulations as well as the correct execution of works, activities, outputs and assets financed through the project and the truthfulness of the declarations and documentation presented by the Beneficiaries.



In particular, these assessments must relate to interventions already started and that have already generated an expense. On-the-spot checks, communicated beforehand, shall focus in particular on the following aspects:

- verification of the existence and effective operation of the Beneficiary;
- verification of the permanent office, where relevant;
- verification of the existence at the Beneficiary's headquarters of all the original administrative and accounting documentation (including the supporting documentation for expenditure), prescribed by European and National legislation, by the Programme regulations, by the Public Notice of selection of the Operation, by the Subsidy Agreement stipulated between the Managing Authority and the Lead Partner and the contracts stipulated between the Beneficiary and suppliers of goods and services necessary for carrying out the project activities. The rubber stamp on the originals must also be verified with the appropriate stamp of the allocation of expenditure in accordance with the INTERREG VA Italia-Malta program and in the case of digital documents, the description of the minimum essential data that allows the unique identification of the project (Fund, Program, title of the project and CUP):
- verification of the existence at the offices of the Beneficiary of a separate accounting system or an adequate accounting code for all transactions relating to the operation co-financed under the Programme;
- verification of the correct progress or completion of the project/activity subject to co-financing, in line with the documentation presented by the Beneficiary to support the reporting and the claim for reimbursement of expenditures;
- verifies that the goods or services covered by the co-financing are actually existing and compliant with the provisions of European and National legislation, the Programme's regulations, the Public Notice of selection of the operation, the Subsidy Agreement stipulated between the Managing Authority and the Lead Partner and the contracts stipulated between the Beneficiary and suppliers of goods and services necessary for carrying out the project activities.
- verification of the physical / technical progress of the operation measured through output indicators;
- verification of the fulfillment of the information and publicity obligations required by European and National legislation, the Programme regulations and the Communication Strategy and the rules of the Brand Image Manual of the INTERREG V-A Italy-Malta program;
- verification, where applicable, of the compliance of the operation with the rules on public procurement, state aid, environmental protection, equal opportunities and non-discrimination;
- verification, where applicable, of the durability of the operation in compliance with the provisions of Article 71 of the General Regulations.

The Beneficiary will be informed in advance of the verification by means of a specific control communication note, which will also provide all the modalities of the visit, so that he/she can prepare useful documentation and make available the competent personnel and any relevant documentation during the checks.



Even the on-the-spot checks are carried out and documented by specific checklists and reports, adapted according to the specific types of operation being controlled (acquisition of goods and services, aid to companies) as well as the type of expense (see annexes).

Outcome of the verification activity

The verification activities must always be formalized through the specific check-list and inspection minutes, which together with the certification of validation of expenditure, must be uploaded by the controller on the Ulysses System.

The results of the first level checks carried out, therefore, must be recorded on the Ulysses system (documented in the project file) and the results made available to all the entities concerned.

In the case of irregularities identified by the Control Units, besides an accurate and complete identification of the type of irregularity, where relevant, the relative expenditures considered non eligible, specifying the amount that must not be reported for the certification, the law infringed, the supporting documents of expenditure, the possible existence of suspicion of fraud, the possible involvement of third parties, etc, must also be identified and evidence of which shall be given in a special checklist and "provisional" control report.

The 'provisional' report and checklist in relation to the verifications carried out, whether "desk-based" or on-site, a follow-up phase must be activated through Ulysses system, in order to allow the Beneficiary to provide counter-deductions and/or other documents or integrative elements. Any integration and counter deduction evidence must be uploaded on the cited Ulysses system to the controller assigned within 10 calendar days, including, where possible, all the useful elements to support the arguments in order to allow the appropriate evaluation.

After the elapse of time for the uploading of all integrated documentation by the controlled subject, the controllers shall examine all the counter-deductions and integrated supporting documentation and draws up a 'definite' report and check-list with the appropriate conclusions/prescriptions. All these must also be uploaded on the Ulysses system.

All the documentation, drawn up according to the previous indications, must allow the possibility to keep track of the preliminary contradictory phase at the final outcome of the control.

In summary, the results of the management checks (administrative and on-the-spot checks) can give rise to the following outcomes:

- **Regular:** in the event that there is no evidence of any discrepancy and/or irregularity in the documentation, subject to verification, presented by the Beneficiary;
- **Irregular:** in the event that the presence of non-compliant and / or irregular documentation is verified, such as to render the result of the check non-positive.

3.2.3 IDENTIFICATION AND DESIGNATION OF FIRST LEVEL CONTROLLERS

The office responsible for first level controls for Italian beneficiaries is identified as the U.O.B. A7.1 (Control Unit), within Area 7 – Controls, controlling community fraud and closure of community programs of the



Regional Department for Planning (DRP). The office will assign a controller, who will carry out the first level controls and can be either internal or external. In case of an external controller, each Italian beneficiary (PP and LP) shall sign a specific professional contract with the controller assigned using the template that will be provided by the MA. In order to sustain the payment of the economic burdens deriving from the contract, these will be considered eligible under the expenditure item "consultancy and services costs", only for the first level control of each beneficiary as stipulated in the financial plan of the last AF approved.

3.2.4 CONTROLLERS FOR MALTESE BENEFICIARIES

For the 2014-2020 programming period, Malta has adopted a decentralised control system whereby the partners participating in a project shall select their respective controller, who may be either internal or external to the entity. The MNCA is the body responsible for issuing the designation letter to the controllers selected to carry out the FLC on expenditure incurred by Maltese partners. All auditors, even internal ones, should be totally independent from the project activities and finances and qualified to carry out the work. Furthermore, external controllers should be selected in accordance with established procedures pertaining to general procurement principles. It is important that each Maltese partner has enough budget allocated for auditing fees, to be able to engage an external/internal controller.

Upon selection of the controller (refer to annex RFQ Auditor-Controller – Annex 2 to the National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014 – 2020), the MNCA should be informed of the outcome of the respective selection exercise and hence the proposed controller. Maltese beneficiary fills out a checklist (annex 3c of the same document) on the proposed controller that shall be signed by both partner and controller and submit to MNCA together with the proposed controller's CV. MNCA shall then consult with the list of Maltese Registered Auditors⁷ in order to ensure registration of same controller. Should the proposed controller satisfy all the requested criteria and should s/he be on this list of the Maltese Registered Auditors, the MNCA shall designate the first level control function pertaining to the project in which the partner would be participating, to such controller. It is only after receiving this certificate and by signing the Letter of Engagement (annex 4c of the same document) with the partner that the controller can start as a first level controller within the framework of the project, and the first expenditure can be reported and certified.

In case of a change in the first level controller, a new request for approbation must be filled in and submitted to the approbation body, i.e. the MNCA. The new controller will not be authorised to act as the partner's first level controller until the new certificate is issued by MNCA. By way of information, in addition to both desk-based and on-the-spot checks carried out by the selected controller, the MNCA may also carry out physical spot checks, based on its risk analysis assessment exercise on the projects financed under such programmes in order to verify the results delivered.

Furthermore, second level controls by the Internal Audit and Investigations Department (IAID), which constitute an additional check on expenditure on a sample range of operations, may also take place. Controls may also be carried out by the Managing Authorities, Audit Authorities of the respective programmes, the European Commission, the European AntiFraud Office (OLAF), and the European Court of Auditors (ECA).

⁷ <https://accountancyboard.gov.mt/Registers/RegisteredAccountants.aspx>



3.3 CHANNELS FOR IMPLEMENTING, REPORTING, CONTROL AND SUBMISSION OF THE REQUEST FOR REIMBURSEMENT

3.3.1 PRINCIPAL PHASES OF THE REPORTING EXPENDITURE PROCESS

Listed below are the principal phases describing the process for reporting expenditure for all the beneficiaries of an operation, including the verifications of the first level control to validate the expenditure, the procedure to be followed by the lead partner for presenting the Request for Reimbursement.

Phase 1: the Beneficiary (LP and PP) initiates the necessary administrative procedures (administrative and accounting acts and facts) for the procurement of goods and service required for achieving the deliverables of the project. This includes also the signing of legally binding documents (such as contracts, agreements, order notes, job orders, etc.) necessary for the initiation of the project's activities;

Phase 2: The beneficiary receives the invoices, or accounting documentation of equivalent probative value, makes the payment and registers the accounting data in the Programme Information System Ulysses. According to the deadlines established for the submission of claims, as in paragraph 3.5.2, the beneficiary transmits through Ulysses system all the data to the controller , plus an administrative-technical report (annex 4).

Phase 3: the first level controllers of each partner use a predetermined check list to perform the verification of the data transmitted via the information system and to perform "on the desk" examination of the documentation received through Ulysses System. Where needed, the controllers shall ask the beneficiary to add any relevant documents before the final expenditure approval. If pertinent, the controllers, after closing the "on the desk" check phase of the expenditure reported by each beneficiary, shall start immediately the on-the-spot check. Within 30 days, the controllers approve the expenditure through Ulysses and attach the completed and signed check-list, the verification minutes and the certificate of approval. In case the reporting is subjected to on-the-spot verification, the time limit for the conclusion of the control is 45 days.

Phase 4: the Project Partners, through Ulysses, shall transmit to the Lead Partner the data concerning the expenditures validated by the controllers of each country;

Phase 5: the Lead Partner receives the documentation as referred in the previous point and verifies the compliance and the coherence of the expenditure actually incurred by the partner with the Project objectives. The LP must deduct the non-eligible expenditures, in line with Art. 13 paragraph 2 letter c) of Reg. (EU) 1299/2013. Afterwards, the LP prepares the intermediate/final Request for Reimbursement for the whole operation, through Ulysses, and attaches an intermediate/final progress report (annex 5) to be transmitted to the MA/JS.

Phase 6: the MA and the JS analyze the Requests for Reimbursement to identify the coherence of the activities implemented with those planned in the last Application Form approved and also the full documentation through specific check-list. At the end of the control procedures, the MA sends to each LP an informative letter through which the Request for Reimbursement is accepted or further explanation is requested concerning the documentation that will need to be integrated or corrected.



Phase 7: the MA proceeds with the administrative procedures for the payments in accordance with the flows described in the Subsidy Contract.

Phase 8: the LP proceeds with the administrative procedures for the reimbursement of funds to the partners in accordance with the flows described in the Subsidy Contract

3.4 MODALITY TO UPLOAD REPORTING AND MONITORING DATA ON ULYSSES SYSTEM

3.4.1 MODALITY FOR UPLOADING DATA

The MA will publish a specific manual for uploading data through Ulysses system.

3.4.2 TIMING FOR UPLOADING DATA

The timing for uploading data on Ulysses system for the monitoring and reporting is as follow:

N.	FROM	TO ⁸	MON ⁹ THS	CONTROLLERS VALIDATION TO BE PROVIDED BY	LP REQUEST FOR REIMBURSEMENT TO BE SUBMITTED BY
1	Activities commencement date	30/06/2018	4	31/07/2018	30/09/2018
2	01/07/2018	30/09/2018	3	31/10/2018	30/11/2018
3	01/10/2018	30/11/2018	2	17/12/2018	21/12/2018
4	01/12/2018	28/02/2019	3	31/03/2019	30/04/2019
5	01/03/2019	31/05/2019	3	30/06/2019	31/07/2019
6	01/06/2019	31/08/2019	3	30/09/2019	31/10/2019
7	01/09/2019	30/11/2019	3	17/12/2019	21/12/2019
8	01/12/2019	29/02/2020	3	31/03/2020	30/04/2020
9	01/03/2020	31/05/2020	3	30/06/2020	31/07/2020
10	01/06/2020	31/08/2020	3	30/09/2020	31/10/2020
11	01/09/2020	30/11/2020	3	17/12/2020	21/12/2020
12	01/12/2020	29/02/2021	3	31/03/2021	30/04/2021
13	01/03/2021	31/05/2021	3	30/06/2021	31/07/2021
14	01/06/2021	31/08/2021	3	30/09/2021	31/10/2021
15	01/09/2021	30/11/2021	3	17/12/2021	21/12/2021

⁸ The date is to be considered as closure date of the account period (incurred and paid expences) and also as date in which must be transmitted the claim through Ulysses system.

⁹ The date indicates deadline within which first level controller males available to the partner, through Ulysses system, the check-list, the verification minutes and the certificate of approval. In case of on-the-spot control the identified date is to be prolonged for 15 days.





3.5 TYPE OF EXPENDITURE

The expenditure must be classified under one of the following categories of expenditure:

- a) Staff costs;
- b) Office and administrative costs;
- c) Travel and accommodation expenses;
- d) Consultancy and external services costs;
- e) Equipment expenses;
- f) Infrastructure costs.

The expenditure categories "staff costs", "travel and accommodation", "consultancy and external services costs", "equipment expenses" and "infrastructure costs" represent direct costs, hence, they are costs directly linked to a specific project activity and its direct link can be proved.

The category "office and administrative costs" represents an indirect cost, hence, a cost for which the link with a specific project activity cannot be proved.

3.5.1 STAFF COSTS

The expenses concerning the staff must be linked to the activities that the person would not carry out if the operation was not implemented. Such activities must be assigned to the person through a job contract, or an employment letter and they are under responsibility of the employee in question, detailed in the task description.

They include the expenses for the salaries and any other cost directly connected to the payments of salaries incurred by the beneficiary employer also after the compensation (deferred expense), such as financial burdens, social security contributions, end-of-service, 13th and 14th payroll (deferred payroll), as long as such costs are stable and recurring and are not recoverable by the employer.

The payments made in favour of an individual who works for the beneficiary under different kinds of contract for paid employment, they can be included within the remuneration costs and the contract in question can be considered equivalent to an employment act, according to the national legislation of reference.

Other costs, which can be included as eligible staff costs, are the costs related to an individual entitled to a social role, hence people that – in accordance with what provided by the Civil Code and by the company statutes – are nominated to carry out responsibility roles for managing and monitoring company's activities (president, CEO, members on the board of directors, mayors, etc.). Their involvement in the implementation of the operation can occur depending on their specific institutional or representative function in the entity (in that case, the participation cost is limited to the reimbursement of the expenses incurred in occasion of activities linked to the project e.g. participation in seminars or other contexts that require a representative function under the co-financed operation) or in quality of coordinators and/or implementors of a specific activity. In this second case, an ad hoc role is required which:

- is envisaged by the Project approved;



- is deliberated by the Board of Directors or equivalent body and assigned in compliance with internal statutory rules;
- is coherent with the process for professional titles or justified by an adequate professional experience with reference to the action under public contribution;
- Specifies the duration and the relative compensation.

In the case that the individual in charge of a responsibility role is also an employee, the cost to be claimed is that of the payroll related to the effective labour hours of project activities. In any case, trackable payments are necessary in order to verify the payment concerning the activity carried out.

3.5.1.1 Staff expenses reported as real costs

Staff expenses can be declared on the basis of real costs and they cannot exceed 40% of the direct costs of each beneficiary.

The staff can be assigned to the project on a:

- a) Full-time basis;
- b) Part-time basis with a flexible number of hours per month;

Staff costs, related to individuals that work **full-time** within the framework of the operation, can be 100% reimbursed.

Staff costs, related to individuals that work **part-time** within the framework of the operation, are calculated as a flexible amount of gross labour cost, corresponding to a monthly variable number of labour hours based on a system of recording time that covers 100% of employee's working hours.

The reimbursement of expenses of part-time staff is calculated on the basis of a hourly rate defined as follow:

1. Dividing the monthly gross remuneration cost with the working hours reported in the job contract;
- Or
2. Dividing the most recent annual gross remuneration cost with 1.720 hours;

Through this calculation, the staff unit is asked to provide a monthly time sheet (Annex I of this Manual) including the activities carried out and number of hours dedicated to the project compared to the total number of working hours of the employee.

Calculation of the hourly cost/rate

The following illustration shows, as an example, the calculation method on annual basis in which the hourly staff cost to be reported is the result of the division of the gross annual remuneration, including employee's social security contributions and tax deducted at source and the number of workable hours.



RML+DIF+OS

_____ x h/man

h/workable

where

RML= monthly gross remuneration, including employee's social security contributions and tax deducted at source;

DIF= deferred remuneration (accrual TFR, 13th and 14th);

OS= social security contributions and tax to be paid by the Beneficiary, not deducted at source (hence, not paid by the employee);

h/workable = annual workable hours equal to 1.720 ex Art. 68 paragraph 2 of Reg.(EU) 1303/2013.

h/man = actual hours dedicated to the project;

Annex 2 to this reporting manual allows beneficiaries to calculate the hourly cost.

The provisions of this paragraph may be subject to changes due to any regulatory provisions by national legislation regarding the subject matter of employment and the related contractual forms.

Supporting documentation of expenditure

- libro unico that shows the employment contract (only for the Italian beneficiaries);
- List of the personnel involved in the Project. It must indicate the following information: name of the internal and/or external resource, qualification, function, annual remuneration on a contractual basis, annual social security and tax costs, annual number of contractual workable hours, percentage and/or number of hours dedicated to the Project. This schedule must be presented in the form of a declaration signed by the person responsible for the Project (for the Italian Beneficiaries in terms of the D.P.R. 445/2000)

For each human resource:

- internal job order or letter of assignment: an order/letter which gives, the role to be undertaken under the scope of the Project and the expected number of hours, for each internal resource. This document, must be in the form of a declaration signed by the person responsible for the project and countersigned by the worker (for the Italian Beneficiaries in terms of the D.P.R. 445/2000);
- for external personnel employed for the Project (personnel temporary employed or through co.co.co. contract, for Italian beneficiaries only, within the limits established by the legislation), documentation must be produced to confirm that the public procedure has been completed.
- monthly time-sheets, certified by the person responsible for the Project/reporting Director indicating: name of the employee, qualification, hours dedicated to the project, brief description of the activities conducted, project code, month of reference, signatures of the employee and of the person responsible for the Project;



- pay slips or payroll for the workers committed to the project during the period under consideration;
- for external personnel with co.co.co contract, regular reports must be produced, as an alternative to the time-sheet, giving details of the activities carried out. These must be duly validated by the person responsible for the project (for Italian beneficiaries only);
- method of calculation of the eligible cost showing details of social security and tax costs to be borne by the Beneficiary and charged to the project.

Supporting documentation of payment

- bank transfer showing the amount and the name of the recipient, accompanied by a bank statement showing the actual and final financial disbursement;
- payment order receipted by the receiving bank and/or treasurer;
- documents confirming the payment of social security contributions, tax deducted and social charges (ex. F24 for Italian beneficiaries only);
- bank statement reporting credit transfers that show the payment (also cumulative) of salaries and/or certifying the effective and final payment of bank cheques;
- in the case of evidence for cumulative payments, certification signed by the Director responsible, giving details of social security contributions, tax deducted and social security costs related to the services charged to the project and included in the cumulative payments confirmed in the report;
- documentation that prove the payment carried out having regard the social and security contribution (*ordine di accredito e ricevuta bancaria e del versamento delle ritenute IRPEF e dei contributi sociali - modelli F24, modelli UNI-EMENS e relative quietanze*). Only for Italian beneficiaries only;
- for Maltese partners, any documentation not listed above but stipulated in the National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020

3.5.1.2 Staff costs reported on the basis of flat rates

In case of staff costs based on flat rates, the activity carried out must be reported through the compilation of [annex 1.a](#), attaching any other report, analysis, studies or products developed by the Project staff. In addition, the Maltese partners are to consult the National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020, Section 7 (b) Staff Costs, on this activity.

3.5.2 OFFICE AND ADMINISTRATIVE COSTS

Office and administrative expenses are limited to the following elements:

- a) offices rent;
- b) insurance and taxes concerning the building hosting the staff and office's equipment (ex: theft and fire insurance);
- c) energy, heating, water consumption;
- d) office supply;



- e) general accounting within the beneficiary's organization;
- f) archives;
- g) maintenance, cleaning, repairs;
- h) security;
- i) information systems;
- j) communication (ex: telephone, fax, Internet, postal services, business cards);
- k) bank expenses for the opening and management of a bank account or more if the operation requires a separate account;
- l) Charges linked to financial and transnational transactions.

With reference to administrative and office expenses, each partner has 10% flat rate of staff costs. To support the report of expenditure is necessary that the list of goods/services acquired through the item of expenditure is attached.

In the case of administrative and office expenses, the beneficiary must keep all the documents, the supporting documentation of expenditure and payment that might be provided to the Programme's Authorities if required.

3.5.3 TRAVEL AND ACCOMODATION COSTS

This category includes the expenses for travels and missions strictly related to the operation, **incurred by the internal staff in charge of the project development**. The same expenditures incurred by experts or suppliers of external services are considered "*consultancy and external services costs*", as described in the following paragraph 3.6.4.

The expenditures concerning travel and accommodation costs are limited to the following aspects:

- a) travel expenses (tickets, travel and car insurance, fuel, car mileage, toll and parking fees);
- b) food expenses;
- c) accommodation expenses;
- d) visa expenses;
- e) daily allowances.

The above expenses are eligible if provided by internal regulations in force by the beneficiary and within the thresholds established.

For Italian beneficiaries that have not specific rules concerning travel and accommodation expenses, the same regulations for the personnel working at the Sicilian Region is applied. For Maltese beneficiaries, who do not have specific rules on travel and accommodation, Maltese national rules applied for government employees, shall be applied.

Travel and accommodation expenses of the Project staff must be as cheap as possible. Furthermore, as a general rule, the most economical means of transport should be used by all partners (i.e. both public and non-public entities). The use of its own vehicle could be authorized only in the cases in which there is a proven impossibility to reach the destination and/or there is a demonstration that this is an effective cheaper



way in comparison with the use of public transport mean. Reimbursement for the use of its own vehicle is admissible following its own administration reimbursement tables, only when this expense is considered refundable by the same administration.

The elements listed from letter a) to d) above, that are covered by a daily allowance, do not benefit from an additional reimbursement.

The missions carried out by the partners outside the area covered by the Programme (outside Sicily and Malta) must be authorized in advance by the MA and clearly justify their pertinence with the project activities.

The direct payment of the expenditures incurred by an employee of the Beneficiary requires the evidence of reimbursement realized by the Beneficiary in favour of the employee.

To upload the documentation concerning the mission to Ulysses system, the recording must be done by attaching the details of the expenditures of a specific mission into a unique claim/statement for reimbursement. In the same file, it must include, besides the claim/statement for reimbursement, the supporting documents of the mission (authorization, receipts, invoices, flight tickets, boarding pass, signatures sheets, minutes, etc.). Each document has to be properly stamped with the "project stamp". The file concerning the note for reimbursement, with the supporting documents of the mission, represents the document of expenditure of the mission.

Supporting documentation of expenditure

- documentation proving authorisation for the mission, clearly showing the name of the person authorised, the duration of the mission, the aim of the mission (which must be tied to the co-financed operation) and the destination;
- copy of the signatures sheet of the meeting and/or seminar or conference showing the list of participants and the report of the mission with an indication of the aim and results;
- Statement of Receipt compiled by the authorised person who participated in the mission and countersigned by the project Responsible person;
- Travel tickets such as: validated train and bus tickets, flight tickets and/or electronic receipts of payments of flights and boarding passes registered to the name of the person who participated in the mission. The beneficiary must provide original paper boarding passes also in the case of check-in realized on mobilephone;
- Invoices or fiscal receipts proving the fruition of food and/or accommodation registered with the name of the person authorized. For the meals, the receipt is accepted if it details the meals consumed.
- Pay slip, if travel expenses are reimbursed together with salary;
- Declaration of impossibility to use public transport, adequately justified , in case of use of own transport means (if applicable) for Italian Partners
- Declaration of the daily distance covered (return), the cost per unit based on the national or institutional laws (if applicable) and the total cost;
- Amount to be reimbursed with the authorization to use it signed by the Project Responsible in charge;
- Documentation able to prove the provider selection procedures, if the expenditures were subjected to a public procurement.



Supporting documentation of payment

- banking transfer showing the amount and the name of the recipient, accompanied by the bank statement confirming the actual and definitive financial disbursement;
- payment order receipted by the receiving bank and/or treasurer

3.5.4 CONSULTANCY AND EXTERNAL SERVICES COSTS

The expenditures within this category are limited to consultancy services provided by a public or private entity or by an individual other than the beneficiary of the operation. It includes: consultants, occasional collaborators, scholarships holders and all the travel and missions expenses incurred by them, previously authorized. All the services must be necessary for the project implementation and are:

- a) Studies or investigations (evaluations, strategies, concept notes, product designs, manuals)
- b) Training;
- c) Translations;
- d) Information systems and creation, editing and updating of websites;
- e) Promotion, communication, publicity or information linked to an operation;
- f) Financial management;
- g) Services related to the organization and implementation of events or meetings (including rent, catering or interpreting services);
- h) Events participation (registration's fees);
- i) Legal advice and notary services, technical and financial advice, other consultancy and accounting services;
- j) Intellectual Property rights;
- k) Verifications as in art. 125, par. 4, letter a) of regulation (EU) n. 1303/2013 and art. 23, par. 4 of regulation (EU) n. 1299/2013;
- l) Guarantees provided by a bank or other financial institute, where prescribed by the European or national legislation or by a programming document adopted by the Monitoring Committee;
- m) Travel and accommodation expenses of experts, speakers, chairpersons of meetings and external services providers;
- n) Other consulting and specific services necessary for the operations.

Supporting documentation of expenditure

- documentation to verify the proof of transparency of the public procurement procedure or, in cases which are provided for by the regulations of individual beneficiaries, the presentation of at least five curriculum vitae and letters of engagement/contracts. For Italian beneficiaries only: if the services required are not present within MePA portal, the beneficiary must prove that a research has been done and the services are not present, by attaching specific screenshots.
- contracts and/or purchase order signed with services suppliers, where the compensation, the



- project details (including CUP for IT beneficiaries) and the period of contract execution are countersigned;
- signed assignment letter, where it is specified the type of activity conducted, the motivation for assignment with reference to the curriculum vitae, the details of the projects (including CUP for IT beneficiaries) the duration, compensation, percentage charged to the project;
 - invoices, pay slip or payroll, or other accounting documents of an equivalent probative value, registered to the Beneficiary;
 - periodic reports, presented by the experts on the activities carried out and duly confirmed by the person Responsible for the project;
 - other documentation which justifies the activities/services carried out (studies, advice, etc.).

Supporting documentation of payment

- bank transfer showing the amount and the name of the recipient, accompanied by a bank statement confirming the effective and definitive financial disbursement;
- payment order receipted by the receiving bank and/or treasurer.

3.5.5 EQUIPMENT EXPENSES

The expenses related to the purchase, rent or leasing of the equipment by the beneficiary, other than “office and administrative costs”, are:

- a) Office equipment;
- b) Hardwares and softwares;
- c) Furnitures and accessories;
- d) Lab equipment;
- e) Tools and machines;
- f) Devices;
- g) Vehicles;
- h) Other specific devices necessary for the operation.

In this category are included the accessory costs for purchasing goods, for example transport, installation, delivery, insurances provided that they are within the time period of eligibility of the project.

The cost related to “equipment expenses” is eligible in case of exclusive use for the project. In that case the whole cost is eligible. The products must remain active and linked to the project also after the conclusion of the activities (the continuity of their use must be guaranteed for five years after the conclusion of the activities, in line with art 71 of Regulation (EU) n. 1303/2013).

If the equipment is necessary for the project but it is not of exclusive use of the project, only the depreciation charge related to the project duration is eligible.

The **depreciation** must be accounted in line with the legislation in force in the participating countries and with the following conditions provided by the EU legislation:



- a) This is allowed by the Programme's rules concerning eligibility;
- b) The amount of the expenditure is justified by equivalent probative value of invoices for eligible costs when reimbursed as prescribed in art. 69, par. 1, letter a);
- c) The costs only refer to the project period;
- d) No public contributions (EU or national contribution) have been allocated to buy depreciated assets.

The following formula (annex 3) allows the calculation of depreciation:

$$\left(\frac{\text{cost of the asset} \times \text{percentage of depreciation} \times \text{period of use}}{360} \right) \times \% \text{ of use}$$

The percentage of depreciation derived from the coefficients of civil and fiscal depreciation, indicated in the register of depreciable assets, of the national laws in force.

The purchase of second hand goods can be eligible on the following conditions:

- a) The seller shall issue a declaration that certifies the exact origin of the material and that it has not benefitted from any national and/or European contribution in the last seven years;
- b) Their price do not exceed the costs generally accepted on the market in question and it is lower than the price of similar new material;
- c) They have the technical features necessary for the operation and they comply with the laws and standards applicable.

For the goods whose cost unit does not exceed €516,00, the deduction of all the purchase expenditures incurred is allowed and no depreciation is applied.

On the goods purchased, either when they are depreciated and when they are completely eligible for reimbursement, they must have specific **plaques or labels** highlighting the ERDF co-financing and the role of the European Union. Particularly, the plaques or labels must include: the logo of the project according to the "*Brand Design Manual*" of Interreg V-A ITALIA-MALTA Programme and the main objective of the operation. Such elements must be at least the 25% of the plaque. Moreover, the plaques or labels must report the project code and the registration number of the asset in the inventory register of the beneficiary.

Within three months after the conclusion of an operation, consisting on the purchase of a physical object or the financing of an infrastructure whose total public contribution exceeds 500 000 EUR, the beneficiary put a **permanent plaque or a permanent billboard of considerable size** in a place where it is easily visible for the public. The plaque or the billboard must include the logo of the project according to the "*Brand Design Manual*" of Interreg V-A ITALIA-MALTA Programme and the main objective of the operation. Such elements must be at least the 25% of the permanent plaque or billboard.



Specifications for the correct application of information and communication materials can be found in "The Interreg V-A Italia-Malta programme's Brand Design Manual" published on the website www.italiamalta.eu.

Maltese beneficiaries are to consult the National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020 for national publicity rules.

Below is the list of documentation to be submitted for the reporting of expenditures:

Supporting documentation of expenditure

- documentation to indicate proof of procurement for the acquisition of goods and//or equipment necessary for the implementation of the project;
- procurement contract drawn up with the supplier that include project details (CUP for IT beneficiaries) and goods details;
- register of depreciable capitalised goods;
- invoice or tax receipt or other documents of equivalent probative value, in the name of the Beneficiary
- transport document for the goods acquired, where necessary;
- depreciation schedule or method of calculation for the eligible cost under the scope of the project;
- extract from the *Inventory Book* or extract from the register of depreciable goods, accompanied by the following information: date of acquisition, historical cost of acquisition, any revaluations or devaluations, the total depreciation at the date preceding the date it was initially allocated to the Project, the percentage of depreciation, the amount of depreciation allocated;
- other compulsory documents required by the legislation in force;
- in the case of consumables, declaration of expenditure confirming that the goods acquired are necessary for the implementation of the project;
- Lease receipt
- CD-ROM with photographs of the equipment acquired;
- Register book where it must be indicated the good's registration number, the inventory number assigned by the beneficiary and the location of the good at the beneficiary's premises (floor and room n.). In case of equipment installed outside, it must indicated the GPS coordinates.



- for Maltese beneficiaries, any documentation not listed above but stipulated in the National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020 is also to be provided.

Supporting documentation of payment

- bank transfer showing the amount and name of the recipient accompanied by the bank statement confirming the actual and definitive financial disbursement,
- payment order receipted by the receiving bank and/or treasurer.

3.5.6 INFRASTRUCTURE COSTS

According to Regulation 1301/2013, in this category are included all the expenditures concerning:

- infrastructures that provide basic services to the citizens in the fields of energy, environment, transports and ICT;
- infrastructures that provide social, health, research, innovation, economical and educational services;
- Small infrastructures such as infrastructures for sustainable tourism and culture, services for enterprises, support for research and innovation institutes and technology and research applied to enterprises investments;
- Shared structures and human resources and any type of infrastructures at cross-border level.

Such expenditures are eligible if they are directly linked to the objective of the project and they prove the cross-border impact and the benefit of the investment for the project.

The infrastructural investment financed must be owned by the beneficiaries for the specific project needs for at least 5 years after the end of the project indicated in the Subsidy Contract (including possible extensions).

The costs for the infrastructures located outside the cooperation area are not eligible.

The eligibility of the costs is subjected to the compliance of the EU, national and Programme laws, locals and internal to each institution concerning public evidence procedures, in respect of the principles of equal treatment, non-discrimination, transparency and proportionality for the correct management of public money.

Depending on the origin of the intervention connected to the works to carry out, the eligibility of the costs for infrastructures must observe the obligations provided by the EU and national legislation on the environment and on the authorizations – where applicable - of the national/regional/local authorities of competence.

Double financing is strictly forbidden the, according to Regulation (EU) n. 1303/2013: infrastructures cannot be previously financed through public funds and cannot be already depreciated (by the beneficiary – completely or partially). In the case of works that are included in wider structural interventions, the part realized by the project must be clearly and uniquely identifiable.



During implementation, the beneficiary shall put up, at a location readily visible to the public, **a temporary billboard of a significant size** for each operation consisting of the financing of infrastructure or construction operations for which the total public support to the operation exceeds EUR 500 000.

No later than three months after completion of an operation, the beneficiary shall put up a **permanent plaque or billboard of significant size** at a location readily visible to the public for each operation that consists in the purchase of a physical object or of the financing of infrastructure for which the total public support to the operation exceeds EUR 500 000.

The permanent plaque and the temporary and permanent billboard shall state the following minimum data: project's log complying with the specifications of "The Interreg V-A Italia-Malta programme's Brand Design Manual" and the main objective of the operation. Such elements must be at least the 25% of the permanent plaque or billboard.

Specifications for the correct application of information and communication materials can be found in "The Interreg V-A Italia-Malta programme's Brand Design Manual" published on the website www.italiamalta.eu.

Maltese beneficiaries are to consult the National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020 for national publicity rules.

For each reporting of expenditures, the following must be submitted:

Supporting documentation of expenditure

- Documentation to verify proof of procurement for the implementation of the operation, including necessary authorizations, issued by the national, regional and/or local authorities responsible;
- contract, purchase act;
- invoice proving the purchase of the real estate/land;
- for Maltese beneficiaries, any documentation not listed above but stipulated in the National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020 is also to be provided.

Supporting documentation of payment

- bank transfer showing the amount and name of the recipient accompanied by the bank statement confirming the actual and definitive financial disbursement,



- payment order receipted by the receiving bank and/or treasurer.

4. RISK MANAGEMENT

In order to ascertain the adequacy of the organizational structures in charge of first level controls and the regularity of the procedures adopted by the controllers, identified within or outside the administration, Area 7 of DPR carries out periodically quality control checks in order to verify:

- the correctness of the procedures used by the controllers for the various obligations;
- the correct use of the templates prepared by the DRP, representing the Program's MA, such as check-lists, reports, etc.;
- the correct storage of information within the project file;
- the adequacy of the audit trail.

In particular, the check is finalized to examine the procedures set and tools used by controllers in order to guarantee, with a high level of certainty, the quality of the expenditure certified to the Commission.

With specific reference to the Maltese beneficiaries, every six months (beginning of July and beginning of January), the Financial Control Unit (FCU) shall carry out quality control checks on the FLC verifications carried out during the previous claim periods. In this scenario, the responsible of quality controls within FCU will take stock of all the claims under the four territorial Programmes in which Malta participates, in order to identify and determine the number of First Level Controllers involved.

A maximum of 2% of the FLCs related to the claims of the preceding six months will be selected for checking on the basis of risk analysis. Thus, priority would be assigned to those FLCs entailing the most risk based on a list of criteria, namely:-

- those who had the highest expenditure to check;
- those who had to verify risky categories of expenditure (e.g. complex transactions);
- those who had more than one claim to verify during the period under review;
- those FLCs with respect to whom material irregularities¹⁰ had been detected in the past.

The other FLCs to be subject to a quality control check in relation to the preceding six months will be selected through a random sample basis (generated by Microsoft Excel Programme or by the basic version of ACL Acerno). The ensuing sample for the period would amount to 20% of the remaining FLCs i.e. those who were not already selected through risk analysis. These percentages should be in line/concur with the following parameters: for every six months a minimum of 6 FLCs and a maximum of 12 FLCs are to be checked¹¹. If the number of FLCs to be checked do not fit within these parameters, the percentage of the random sample would have to be adjusted accordingly.

¹⁰ An irregularity is considered to be material if the irregular financial amount exceeds Euro 250.

¹¹ If the maximum of 2% of FLCs selected on the basis of risk analysis exceed the maximum of 12 FLCs, no random sampling will be resorted to.



It has to be noted that where a FLC has verified more than one claim under a specific Programme, for the previous 6 months, in particular in the case of Interreg Italia Malta Programme where every FLC should have had submitted two claims during the prior 6 months (because the claim period of this Programme is 3 months), he/she would have to be considered only once for sampling purposes.

In addition, it is to be noted that the 2% and 20% shares are applicable to all four Programmes together; in other words, the total population per period would comprise the FLCs for all four programmes, who would have verified at least one claim during the period under review. A minimum of 1 FLC per period has to derive from each of the four programmes, subject to whether the programmes had a verified claim. If the FLCs ensuing from the 20% random sample would not comprise at least 1 FLC from each programme (as per above), the random sampling would have to be extended till this parameter (of 1 FLC per programme) is satisfied. Naturally the FLCs between the 20% sample mark and the first FLC satisfying the criteria that a minimum of 1 FLC per period per programme has been drawn up in the sample, would be disregarded for that period in question.

In the subsequent six months, those FLCs, who were subject to quality control checks in previous periods and with respect to whom no irregularities were found, would be excluded in subsequent periods until all the FLCs have been subject to a quality control check. In other words, under the updated sampling methodology, any FLCs already considered – including those checked under the previous sampling methodology through verification of their claims - and with respect to which no irregularities were found, would be excluded from checks (at least until all other FLCs have been subject to quality control checks) in line with the proportionality of controls/single audit principle. They would be reconsidered only in the case a second round of quality control checks is deemed necessary.

This sampling methodology (combined with risk analysis) is thought to be a strong defence against potential errors as it provides the FCU with sufficient coverage since, over a span of time, all the FLCs would be subject to quality control checks. Nevertheless, the FCU remains open to review and update its risk assessment and sampling methodology in line with internal/external developments.

With specific reference to the Italian beneficiaries

In the case of internal auditors, the risk management criteria will mainly focus on the regularity of the procedures adopted by the same.

These quality checks of the first-level control activities will be conducted with the help of special check lists which shall be used to certify the quality of the checks carried out.

The same check lists shall allow to also record the indications formulated by the controller for overcoming any deficiencies found in the quality check.

The documentation certifying the performance of the quality control checks will be included in the documentary section of the First Level Controls on the Ulysses Information System.

The MA, also through the collaboration of the CA and the SC, will ensure a framework of management and control procedures for the Program that can identify, particularly in the event of significant changes to the DMCS:

- the activities, highly subject to the onset of risks;
- corrective measures or improvement of management and control procedures for these activities;



- follow-up activities.

5. MANAGEMENT OF IRREGULARITIES AND ANTI-FRAUD MEASURES

'Irregularity' means any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union. (art. 2, paragraph 36 of the General Regulation).

The negative result of the verification will imply, for the MA, the redetermination of the eligible expenditure and relative contribution or, if needed, the suspension (complete or partial) of the financing, with possible notification of OLAF grid within the European system (IMS) - Irregularity Management System, indicating whether the type of irregularity falls under those that are regulated by art. 122 par. 2 of the General Regulation that states: *"Member States shall prevent, detect and correct irregularities and shall recover amounts unduly paid, together with any interest on late payments. They shall notify the Commission of irregularities that exceed EUR 10 000 in contribution from the Funds and shall keep it informed of significant progress in related administrative and legal proceedings"*.

It also prescribes that it is not necessary to inform the Commission about the irregularities concerning the following cases:

- The Irregularity consists of an operation of the programme that was not completely or partially implemented as consequence of the bankruptcy of the beneficiary;
- The beneficiary spontaneously informed the MA or the CA before they could identify the Irregularity, both before and after the allocation of the public contribution;
- The MA and the CA identified and corrected the Irregularity before reporting the expenditures in the claim to be submitted to the Commission.

In all the other cases, particularly in case of irregularities preceding a bankruptcy or suspicion of fraud, irregularities and relative preventive and corrective measures must be notified to the Commission.

Special attention must be given to controls where more fragmented operations are linked to the same project, exceed the relevant threshold: in this particular case, the irregularity might have been planned and organized in such a way as not to be spotted, even though damage to the EU financial interests is evident.

5.1 PROCEDURE FOR THE REPORTING OF IRREGULARITIES

For the 2014-2020 programming period, in continuity with the provisions of the previous programming period, the criteria adopted by the MA to identify when an irregularity or a suspected fraud should initially be reported and which data should be provided and constantly updated, are those indicated by the current Regulation, Delegated Regulation (EU) n. 2015/1970.

Consistently with the provisions of the aforementioned regulation, irregularities are reported by the Member State in which the expense is incurred by the beneficiary carrying out the operation. Therefore, the Maltese National Coordination Authority informs the MA, in case an irregularity has been found on a Maltese beneficiary.



Regarding the timing and methods of communication of irregularities / suspected fraud pursuant to art. 122 of Reg. (EU) n. 1303/2013, reference is made to the provisions of the Implementing Regulation (EU) n. 2015/1974 of the Commission of 8 July 2015.

Organisms involved in various ways in the detection of any irregularities / frauds are hereby being identified.

The MA (Head of the Program Axes, Competent Office for Operations, Joint Secretariat) regarding the detection and verification of the irregularity and drafting of the communication required by article 122, par. 2, of Regulation (EU) n. 1303/2013, also following a possible communication by the Maltese National Coordination Authority.

The Presidency of the Sicilian Region, Regional Department of Programming, Area 7 - *Controls, repression of community frauds and closure of community programs*, as regards the coordination, direction and transmission of communications acquired during the quarter to the Presidency of the Council of Ministers.

The Audit Authority (AA) regarding the detection of the irregularity and the reporting to the MA required by the circular of Presidenza del Consiglio dei Ministri of 12 October 2007.

The Certifying Authority (CA) as interested party and potential irregularity detector.

The *Guardia di Finanza* (GdF) regarding the detection of irregularities and the reporting to the RA provided for by the circular of Presidenza del Consiglio dei Ministri of 12 October 2007.

5.2 PROCEDURES UNDERTAKEN TO GUARANTEE ANTI-FRAUD MEASURES

The procedures aimed at ensuring anti-fraud measures within the INTERREG V-A Italy Malta program are in line with those foreseen by the Managing Authority of the Sicilian Region ERDF 2014/2020 operational program.

On the same lines, the Maltese National Coordination Authority has a zero tolerance policy towards fraud, corruption and mismanagement of funds and it is strongly committed to prevent and detect any such incidences. To this end, all partners, first level controllers and service providers are urged to do their utmost to prevent fraud from happening by putting in place proportionate measures to detect it and to come forward with any suspicion of fraud in relation to the Programme and projects. In case of suspicion of any mismanagement or potential corruption, an email can be sent on fpd.meae@gov.mt. Any such report will be treated confidentially and the MNCA shall revert back on the matter within 10 working days. The MNCA will inform the MA of any fraud identified for the fulfillment of duties.

In line with the provisions of art. 125, par. 4, lett. c) of Regulation (EU) n. 1303/2013, the Managing Authority establishes effective and proportionate anti-fraud measures in relation to the identified risks, and as indicated in the DMCS of the Cooperation Program. The strategy to combat fraud drawn up by the MA also provides for the possibility to join the ARACHNE System, which helps to identify the sectors (operations, projects, beneficiaries and contracts or contractors) in which there is a possible risk of fraud, supporting the Program Authorities in analyzing the risks of co-financed operations, with a view to reducing error rates, preventing and improving fraud detection strategies.



In this regard, the MA / Area 7 - *Controls, repression of community frauds and closure of community programs* will proceed to the accreditation and consequent access to the ARACHNE system on a quarterly basis, and following the monitoring deadlines, to the consultation of the data provided by the system in order to identify the possible presence of "red cards". The possible preparation and use of additional "fraud risk prevention" tools will be agreed with the Maltese Authorities.

6. INFORMATION AND COMMUNICATION RULES

INTERREG V-A Italia Malta programme has drawn up a communication strategy that covers the whole programming period, on the basis of articles 115-117 of Regulation (EU) no. 1303/2013 of the European Parliament and the Council of 17 December 2013 and the Annex XII of the same Regulation.

The same annex XII "Information and communication on support from the funds" of Regulation (EU) no. 1303/2013 reports the responsibilities of the beneficiaries concerning information and communication.

Such responsibilities are already present in the implementation Manual of the programme INTERREG V-A Italia Malta, and partially present in this manual with regard to the equipment and infrastructures fulfillments.

Please see the following documents:

- "The Interreg V-A Italia-Malta programme's Brand Design Manual", published on the website www.italiamalta.eu, for what concerns the technical aspects related to the modalities of realization of the project's logo, the use of the icons related to the thematic objectives, the realization of the various typologies of information and communication materials (letterheads, business cards, brochures, posters, leaflets, plaques etc.);
- "Communication guidelines" (Annex 6) for indications on the definition and contents of the project communication plan and communication activities/tools.
- For the Maltese beneficiaries: National Complementary Requirements - Territorial Cooperation Programmes and the ENI CBC Med Programme 2014– 2020.

6.1 INFORMATION AND COMMUNICATION FULFILLMENTS

The Partner responsible for "Communication activities" WP is responsible for the elaboration of the Communication Plan of the project and must indicate the name of the responsible person of the communication plan to the MA, the MNCA and the JS.

The communication plan must include the following elements:

- The strategy of the information and publicity activities addressed to potential beneficiaries and the public which aim at giving visibility to project's results and showing the added value of the European contribution;
- The general and specific objectives;
- The target groups who will benefit;
- The actions to be developed;
- The cost of the development of the plan;
- Monitoring of the communication and information actions.



The Partner responsible for “Communication activities” WP must pay attention to the monitoring of the communication plan, particularly to the outcome and results indicators. The Partner responsible for “Communication activities” WP is the spokesperson with the MA, the MNCA and the JS regarding the information and communication fulfillments.

The information and communication material of the project must comply with the provisions of Regulation (EU) n. 1303/2013 and what is provided by “The Interreg V-A Italia-Malta programme’s Brand Design Manual”.

In the case of publications, the partners must include the following information:

- a) “free copy”, the material produced in the framework of the project cannot be sold;
- b) “*the content of this publication does not reflect the official opinion of the European Union. Responsibility for the information and views expressed lies entirely with the author(s) (name and surname)*”.

It will be the responsibility the Partner in charge of the “Communication activities” WP to give to the MA at least n. 3 copies of all the informative materials and communication products realized (press release, publications, DVD, CD-Rom etc.).

7. ANNEXES

Number	Annexes
Annex 1	Time sheet
Annex 1.a	Cost Model for Staff costs calculated on a flat rate
Annex 2	Calculation of Hourly Rate
Annex 3	Calculation Method for Depreciation
Annex 4	Technical-administrative Report (Phase 2, section 3.3.1)
Annex 5	Technical-administrative Report (Phase 5, section 3.3.1)
Annexes for First Level Controls	Validation Certificate Axis I-II-III
	Validation Certificate Axis IV
	Check list (IT)
	Check list (EN)
	Control Report (Verbale) (IT)
Annexes for Quality Checks verifications	Check list – quality verification
Annex 6	Communication guidelines



