

**CENTRAL EUROPE PROGRAMME
2007-2013**



**GUIDE ON THE REVISION OF THE
CONTROL & AUDIT GUIDELINES
(Version 1.1)**

15th December 2009

CENTRAL EUROPE PROGRAMME 2007-2013



Introductory note

- ✓ Changes on the CENTRAL EUROPE Control and Audit Guidelines were necessary due to the fact that the Programme had to adapt the First Level Control process for the validation of expenditure according to homogenized quality standards within the 8 Member States participating in CENTRAL EUROPE;
- ✓ The changes occurred both in the body of the text as well as in “Annex 2 B - Control Checklist” of the Control and Audit Guidelines.
- ✓ The present document intends to highlight the changes occurred.



Changes in the text body of the Control & Audit Guidelines

The following changes occurred:

Page	Paragraph	Change
15	3.2.2	Insertion of text specifying that the calculation of Indirect Administration Costs must be based only on real costs and eligible expenditure
27	3.3.2	Insertion of text with specifying that all cases of affiliated companies (and not only in-house companies) must be charged on a real-costs basis, thus without any profit margin



Text body page 15 (highlighted in yellow)

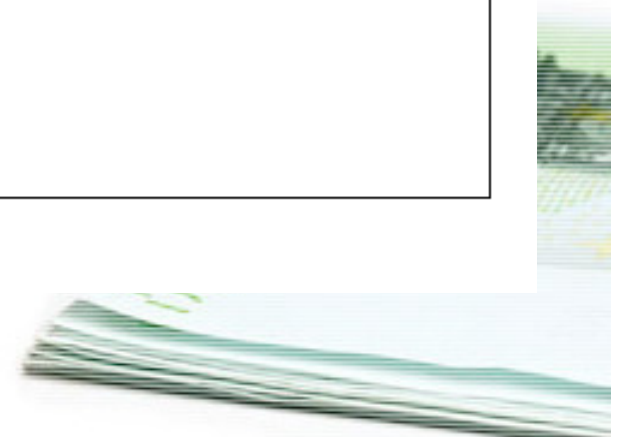
3.2.2. Administration costs

Definition

Administration costs include all direct general costs (i.e., costs deriving exclusively from the project) and indirect general costs (overhead related to the operation's activities, **based on real costs and eligible expenditure**, and calculated on a pro rata basis according to a duly justified, fair and equitable method).

Administration Costs may include cost items such as:

- Stationery
- Photocopying
- Mailing
- Office rent



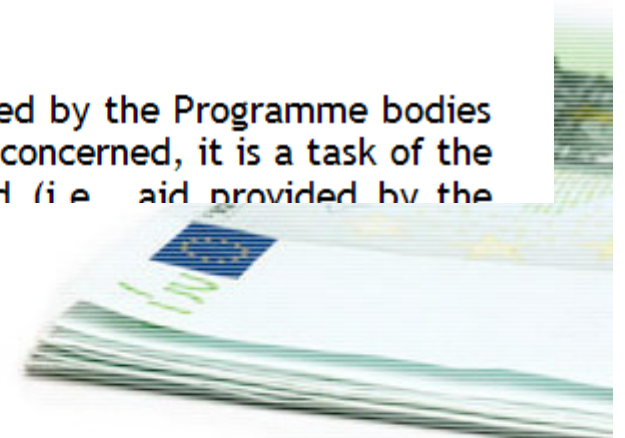
Text body page 27 (highlighted in yellow)

CENTRAL EUROPE Control and Audit Guidelines

Any other case of subcontracting to affiliated companies where public procurement does not apply has to follow the principle that costs of the contracted company must always be charged on a real-costs basis, thus without any profit margin.

3.3.3. Indirect State Aid

Whereas the respect of the provisions concerning State Aid is validated by the Programme bodies prior to project approval as far as funding limitations to partners are concerned, it is a task of the first level controllers to verify this respect in terms of indirect aid (i.e. aid provided by the



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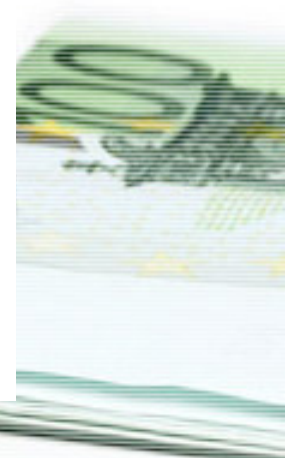
Annex 2.B - Control checklist (highlighted in yellow)

Specification for indirect administration costs:

2. ADMINISTRATION COSTS

Control questions:	YES	NO	N/A
Is there a proper method for allocating administration costs (indirect costs/overheads) to the operation available? ⁴⁰	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is this method duly justified, fair and equitable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do the indirect administration costs (overheads) include only eligible expenditure?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has it been properly applied?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are all costs real, are they project-related and have not been included in other budget categories?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If bank charges are claimed, are they limited to transnational bank charges or they result for opening and administering a separate bank account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there supporting documents justifying all these costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

⁴⁰ No lump-sums, flat rates or arbitrary keys allowed.



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Documentation of checks on public procurement (I)

1. Deletion of the public procurement question for the following budget lines:

- External Expertise (Box D.3)
- Meetings and Events (Box D.5)
- Promotion Costs (Box D.6)
- Equipment (Box D.7)
- Investments (Box D.8.1 and 8.2)



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Annex 2.B - Control checklist (highlighted in red)

1. Deletion of the public procurement question (example):

3. EXTERNAL EXPERTISE

Control questions:	YES	NO	N/A
Are the contracted services stated in the Application Form?. Alternatively, have they been approved by the programme bodies prior to their contracting?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there evidence available that public procurement rules (or transparency) in the selection process have been respected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there a contract laying down the services to be provided?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are payments made against invoices?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are invoices sufficiently detailed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there any evidence of the work carried out by the service provider?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Where applicable, do the deliverables respect the necessary publicity requirements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Where applicable, have the specific requirements concerning associated institutions and/or in-house subcontracting been respected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there proof of payment available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			



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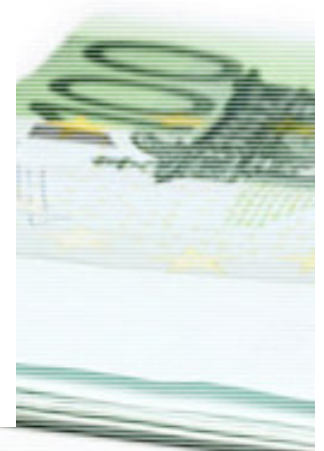


Annex 2.B - Control checklist (highlighted in yellow)

2. Inclusion of a new box for public procurement checks:

F) PUBLIC PROCUREMENT CHECKS⁴⁶

Control questions:	YES	NO	N/A
Which public procurement procedure(s) has/have been selected for the supply of services, goods and/or for public works? Please specify:			
Is/are the selected public procurement procedure(s) in line with the relevant EU, national and/or internal rules for supply of services?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is/are the selected public procurement procedure(s) in line with the relevant EU, national and/or internal rules for supply of goods?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is/are the selected public procurement procedure(s) in line with the relevant EU, national and/or internal rules for public works?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has/have proper publicity evidence given to the public procurement process(es) according to the relevant EU, national and/or internal rules for the supply of services, goods and/or for public works?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unless stricter rules apply, has the "bid for three" rule been applied for contracting amounts comprised between € 2.500,- (excl. VAT) and the applicable EU, national and/or internal thresholds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has/have evidence(s) of the whole selection process(es) (including publicity) been provided?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			



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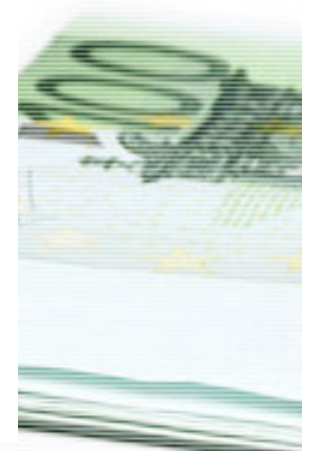


Annex 2.B - Control checklist (highlighted in yellow)

Inclusion of new questions in the “Other checks” box:

I) OTHER CHECKS

Control questions:	YES	NO	N/A
Has all expenditure been incurred and paid between the start date of the operation ⁴⁸ and the end date of the reference reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the exchange rate for converting expenditure incurred in national currency into Euro ⁴⁹ been properly applied?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If applicable, has any revenue been properly deducted from the costs declared?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has refundable VAT been deducted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have any fines, financial penalties and/or foreign exchange losses excluded from the expenditure?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In case of in-kind contributions, are they allowed by national eligibility rules and remain within the limits set in point 3.1 of the CENTRAL EUROPE Control and Audit Guidelines ⁵⁰ ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the contents of the financial report combined with those of the activity report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the reported expenditure coherent with the activities performed and the outputs obtained?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the adequacy of expenditure been proven?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In case of Lead Partner, have the previous ERDF payments been transferred without delays and in full to the relevant Project Partners?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			



2. The revised Control & Audit Guidelines



Annex 2.B - Control checklist (highlighted in yellow)

Inclusion of a new box for on-the-spot checks:

J) ON-THE-SPOT CHECKS

Control questions:	YES	NO	N/A
Where and when the on-the-spot check(s) has/have taken place? Please specify:			
What was the main focus of the on-the-spot check(s) (additional administrative controls, verifications of equipment/investments, etc.)? Please specify:			
Are additional controls on invoices and other documents of equivalent probative value in line with the outcomes of the performed desk verifications?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the equipments/investments features in line in quality and quantity with the approved Application Form?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the equipments/investments properly installed/realized in place according to the approved Application Form?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has it been verified that publicity rules for co-funded equipments/investments are respected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			

