



CENTRAL EUROPE

COOPERATING FOR SUCCESS.

CONTROL AND AUDIT GUIDELINES

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1. INTRODUCTION

The Control and Audit Guidelines are meant to provide financial managers and controllers of approved operations under the CENTRAL EUROPE Programme with the necessary information in order to ensure that all expenditure incurred during the implementation of operations can be validated on safe grounds.

Whereas some chapters present compulsory Programme requirements, others intend to set a harmonised baseline for all participating Lead Partners and Partners in order to ease their common working culture also in financial terms. In particular, and due to the potential existence of differences between Member States, these Guidelines do not replace but complement national eligibility rules.

The information herewith provided will be, whenever required, further developed and updated during programme implementation. Financial managers and controllers of Lead Partners and Partners will also be provided with the necessary training already from the early implementation stages of their operations. Ad-hoc assistance will also be given by the Project Finance Managers working with the Joint Technical Secretariat on an on-going basis.

1.1. TERMINOLOGY¹

During project implementation, Financial managers and controllers will be confronted with a wide range of terms that may create problems in understanding the documents that they have to consult for implementing their tasks. Even if not covering them all, a general glossary of the most common terms used when dealing with financial control matters is herewith presented:

- ❖ **Audit:** Differently to the Programming Period 2000-2006, for European Territorial Cooperation Programmes the term audit relates to second level control processes. As far as operations are concerned, audits (also known as sample checks) will verify the accuracy, reliability and eligibility of funding claims. In practical terms, audits will mainly re-examine the expenditure validated as eligible by the controllers and already included by the Certifying Authority in a payment request to the Commission.
- ❖ **Audit trail:** A sequence of information (i.e., accounting records) that provide detailed information about expenditure actually incurred. Such accounting records show the date they were created, the amount of each item of expenditure, the nature of the supporting documents and the date and method of payment. The audit trail provides evidence of the expenditure claimed and enables tracing the financial data to its source.
- ❖ **Beneficiary:** Operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations. In the context of European Territorial Cooperation programmes, this means all partners participating in a project.
- ❖ **Controller:** Body or individual in charge of performing first level control checks in accordance with the first level control system set by each Member State.
- ❖ **Eligible expenditure:** Expenditure that complies with all the relevant EU, national and Programme rules.
- ❖ **First Level Control (in short, control):** Verifications carried out on the project level and which are undertaken when project partners submit a verification request to their controllers. These controls cover 100% of project expenditure.
- ❖ **Ineligible expenditure:** At a first stage, expenditure submitted to the controllers which does not comply with the eligibility rules and which as a result cannot be validated as eligible. In a second step, expenditure validated as eligible by the controllers but which is not considered as such by the Programme bodies and/or by the second level auditors.
- ❖ **Irregularity:** Any infringement of a provision of Community law resulting from an act or omission by an economic operator² which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.
- ❖ **Real costs:** Principle on the basis of which partners can only claim as eligible, have validated and be refunded amounts that they have really incurred in connection with work required for the project (in accordance with the approved work plan) and that have actually been paid out.
- ❖ **Recovery:** Process leading to claiming and getting back from project partners expenditure which has been incorrectly paid out to them by the Programme bodies. Where this amount is deducted from the next payment claim submitted by the same project, the notion of "withdrawal" is used. Where this amount is requested to already closed operations, the notion of "recovery" as such applies.

¹ Main source: "Territorial Cooperation Objective - Financial Management Handbook" published by INTERACT.

² To be understood as any partner (including Lead Partner) participating in an approved operation.

- ❖ **Request for payment:** Statement of expenditure submitted with each progress report in which the Lead partners of approved projects confirm the cumulated amount of expenditure which has been validated as eligible for all partners.
- ❖ **Validation:** Verification process leading to the approval of expenses as eligible by the body officially responsible. As far as operations are concerned, validation of expenditure is performed by the controllers selected in accordance with the first level control system set by each Member State.

1.2. REGULATORY FRAMEWORK

As a result of the simplification process carried out at regulatory level, there are three Regulations that rule the different elements of the management and control systems for Programmes financed under the ERDF in general and the Territorial Cooperation Objective in particular:

- ❖ **COUNCIL REGULATION (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as last amended by Regulation (EC) No 1341/2008 (*General Regulation*):** It defines common principles, rules and standards for the implementation of the three cohesion instruments, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. Based on the principle of shared management between the Union and the Member States and regions, this Regulation sets out a renewed programming process, based on Community Strategic Guidelines for Cohesion and their follow-up, as well as common standards for financial management, control and evaluation. The reformed delivery system will provide for a simpler, proportional and more decentralised management of the Structural Funds and the Cohesion Fund.
- ❖ **REGULATION (EC) No 1080/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 July 2006 on the European Regional Development Fund (*ERDF Regulation*):** It defines its role and fields of interventions such as the promotion of public and private investments helping to reduce regional disparities across the Union. The ERDF will support programmes addressing regional development, economic change, enhanced competitiveness and territorial cooperation throughout the EU. Funding priorities include research, innovation, environmental protection and risk prevention, while infrastructure investment retains an important role, especially in the least developed regions
- ❖ **COMMISSION REGULATION (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 (*Implementing Regulation*):** The European Commission's implementing regulation for the Structural and Cohesion Funds 2007-2013 represents one set of detailed rules on the management of cohesion policy's financial instruments

In addition, a number of specific regulations and directives are also to be considered and can be found in the programmes website. Moreover, and following Article 56 of the General Regulation, the national eligibility rules and, where existing, the national guidelines and/or manuals for first level control form an essential part of the reference corpus. Finally, the specific contents of the CENTRAL EUROPE Control and Audit Guidelines are to be followed whenever they are not in conflict with national rules.

1.3. THE DIFFERENT CONTROL LEVELS

As can be deduced from the contents of the provided glossary, the expenditure incurred and paid out by each partner may undergo a number of verifications by different actors. Even if within the programme the number of control levels is larger, operations must especially focus on the following:

A) First Level Control:

The whole management and control system of every programme under the European Territorial Cooperation objective heavily relies on the quality of the first level control system in place, which as a result is central to programme implementation. During the 2000-2006 programming period, many shortcomings (some of them serious) have been identified as far as the functioning of verification and validation processes is concerned. These problems affected all identified systems (centralised, decentralised or mixed) and have been addressed by a number of regulatory requirements in the 2007-2013 period.

The main functions of the first level control systems remains unaltered from what were the requirements of Article 4 checks in the previous programming period and now foreseen in Article 16.1 of the ERDF Regulation. Therefore, the main verifications to be done cover:

The delivery of the products and services co-financed;
The reality of the expenditure claimed;
The eligibility of the expenditure according to Community, national and Programme rules;
The compliance of the expenditure with Community rules on public procurement, State Aid, publicity and information, protection of the environment and equal opportunities

In addition, first level control checks will verify that the expenditure has been incurred for the purpose of implementing the operation in accordance with the contents of the subsidy contract, including the latest version of the approved application form which is an integral part of the contract itself.

Finally, these checks will verify the existence and effective functioning of an accounting system on the level of each partner, either separate or analytical-based, allowing for a clear identification of all project-related expenditure and avoiding the possibility of double-funding.

In each application for reimbursement, first level control checks should generally cover 100% of the incurred expenditure. In duly justified cases, selection of the expenditure items to be controlled can be done on a sampling basis applying a suitable and transparent methodology.

In case of applying a sampling method the controls must be comprehensive in relation to the various expenditure categories and take account of all risk factors affecting the project. The overall control checks must cover at least more than 80% of the incurred expenditure of the application for reimbursement. The method applied and the sample taken as well as the results must be documented carefully and in a transparent way. The methodology has to contain steps to be taken in case of findings in the sample (e.g. enlarging the sample - full check).

B) On-going controls by the Managing Authority:

Even if sometimes presented as a separate control level, the on-going controls performed by the Managing Authority (possibly delegated to the Joint Technical Secretariat) can be also considered as a complement to the validation process of the first level control checks themselves.

Three kinds of processes must be highlighted:

- **Verification of the existence of the project:** during the monitoring of the activity section of the progress reports, the Joint Technical Secretariat will verify the existence of the project by analysing all relevant outputs delivered by the operation in every reporting period as annexes to the report (e.g., agenda, minutes and list of participants of meetings held, promotional material, studies, etc);
- **Plausibility checks of expenditure:** desk checks of invoices and other supporting documents will be carried out by the Joint Technical Secretariat for operations in each reporting period. These checks will cover on a random basis specific expenditure items listed in the financial reports;
- **On-the-spot checks:** mainly targeted towards operations foreseeing the realisation of investments (including works, investment-related equipment and other goods), thus complementing desk-checks devoted to verifying the existence of the project. In addition to these, on-the-spot checks may also be undertaken in order to perform an extended verification of the expenditure validated so far on a limited number of operations that will be selected on the basis of a sampling method agreed between the Managing Authority and the Member States.³

Due to the nature of the checks foreseen, both Lead Partners and Partners will be covered by these controls.

C) Audits of projects

Formerly known as second level control checks, as far as operations are concerned they consist mainly of an audit of a sample of first level control work. Chapter 4 of these Guidelines is devoted to explaining in detail this part of the audit work to be carried out in each programme.

³ The method to be applied will depend on criteria like the number and size of running operations as well as coverage of risk factors

2. FIRST LEVEL CONTROL SET UP

2.1. CONTROL SYSTEMS IN PLACE IN CENTRAL EUROPE

Information on the different systems set up by the Member States participating in the CENTRAL EUROPE Programme is available on the Programme's website under the "Working with CENTRAL/ Country-specific information" section⁴. Lead Partners and Partners can find the generalities of the system for each Member State, as well as the necessary contact details and downloadable documents provided by the Member States. The requirements therewith presented are binding.

2.1.1. Centralised system

In centralised first level control systems, the Member State appoints one body/unit in order to perform first level control tasks. All partners from this Member State must have their expenditure validated by this body/unit.

In the case of CENTRAL EUROPE area, the centralised system is applied in the Czech Republic, Hungary, Slovakia, Slovenia and, depending on the specific profile of the partner institution, also in Poland.

2.1.2. Decentralised system

In decentralised first level control systems, each partner (including Lead Partners) is free to appoint its own controller. This can be made either by choosing one specific controller out of a short-list elaborated by the Member State or by directly appointing a controller of its choice, either internal or external according to national requirements. In this second case, the preliminary choice of the partner in some Member States is subject to validation by an approbation body or other specific national requirements.

In the case of CENTRAL EUROPE, the decentralised system is in use in Germany, Italy and, depending on the specific profile of the partner institution, also in Poland. The system applied in Austria, even if decentralised in functioning terms, sets restrictions to the selection capacity of the partners according to their legal status.

2.2. SELECTION OF CONTROLLERS

The controllers carrying out the verification of partners' expenditure must be selected in accordance with the system set up by each Member State. In practical terms, selection processes as such are only applicable for Lead Partners and Partners coming from countries with a decentralised first level control system.

As presented in the CENTRAL EUROPE Implementation Manual, the controller carrying out the verification of the Lead partner's expenditure shall be - whenever possible - already mentioned in the Subsidy Contract. At its turn, controllers carrying out the verification of Partners' expenditure must be stated in the Partnership Agreement. The full list of controllers for each operation must be delivered together with the Start-up Report. During project implementation, the Lead Partner and, in a second step, the Programme bodies will verify that all validations of expenditure have been issued by the designated controllers.

When the choice of the controller will lead to contracting an external certified auditor, this selection must take place in respect of public procurement rules. Please note that the qualification of the controllers must be a key point of the selection process, meaning that the financial aspect of the received offers shall only be taken into account if the necessary qualification requirements presented in the following point below are met. Nevertheless, applicable market rates must never be exceeded.

⁴ <http://www.central2013.eu/working-with-central/country-specific-information.html>.

2.2.1. Qualification

In the case of decentralised systems, when selecting their controllers, Lead Partners and Partners must ensure that the controllers have previous experience in auditing of EU-funded cooperation projects and are familiar with the regulatory framework presented in chapter 1, as well as with the national rules concerning eligibility of expenditure.

In addition to these Guidelines, the controllers must also be familiar with the content of the following documents:

- Application Manual;
- Implementation Manual;
- Application Form;
- Subsidy Contract;
- Partnership Agreement.

If during project implementation the performance of controllers casts doubts on their professional standards, the Managing Authority reserves the right, after consultation with the national responsible institution, to require that the controller directly selected by the Lead Partner or Partners be replaced. It is advised to include appropriate liability clauses for the work performed by the selected controller in the service contract.

In the case of centralised systems, the requirements concerning qualification of controllers are ensured directly by the Member States when appointing the body/unit in charge of performing first level control tasks.

2.2.2. Independence

The controllers must, for all partners, be independent from the project's activities and financial management. Whereas this requirement is met *de facto* in countries having set a centralised system, those partners coming from countries having set a decentralised system must bear in mind the following considerations:

- a) If the national system allows for the appointment of **internal controllers**, the effective independence from project's activities and financial management of the organisational unit in which the controller is placed must be ensured. This independence may not be easily given in small institutions and, overall, this option should be whenever possible avoided;
- b) The independence of **external controllers** may not always be considered as given in those cases in which tight commercial relations already exist between the partner institution and the selected controller (e.g., use of own tax accountants).

In those Member States with a decentralised system but having foreseen the intervention of approbation bodies in order to confirm the suitability of the controllers proposed by the partners, the verification of the controllers' independence represents a core task of such approbation bodies. In their absence, and especially as far as internal controllers are concerned, the Programme may require the provision of partners' internal organisational structures for those cases in which the independence does not appear as guaranteed. Also in this case, the Managing Authority is entitled to request the replacement of the originally selected controller if it is finally ascertained that the conditions of independence are not met.

3. FIRST LEVEL CONTROL IN PRACTISE

3.1. GENERAL ELIGIBILITY PRINCIPLES

Generally speaking, expenditure will be considered eligible for funding if:

1. It was actually paid,
2. The bodies concerned, the subject matter, as well as the time and place can be allocated to a project that was duly approved, implemented and settled within the scope of an operation as approved by the Monitoring Committee,
3. Its amount seems adequate for achieving the purpose of the project, and it
4. Is not in contradiction to specific eligibility criteria.

Based on these general principles, a number of specific considerations apply:

- Only paid out expenditure can be claimed as eligible and the effective payment of it must be proved;
- This expenditure must have been incurred and paid exclusively by any of the partners participating in the approved project. In addition, the expenditure must be included in the general accountancy of the concerned partner;
- The expenditure must be clearly linked to any action or output of the approved work plan and must be accompanied by the necessary documents proving that the expenditure is real and that the action has been implemented and/or the output has been delivered;
- It must have been incurred as from the eligibility starting date set in the subsidy contract⁵;
- The general principles of sound financial management (i.e., economy, efficiency and effectiveness) have been respected when incurring the costs.

As far as eligibility criteria are concerned, requirements are provided in the following paragraphs of this chapter. Nevertheless, the following expenditure should be considered as not eligible in all cases:

- VAT which is recoverable by whatever means cannot be considered as eligible even it is not actually recovered by the partner.
- Interest on debt, fines, financial penalties, expenditure on legal disputes and foreign exchange losses are not eligible.
- Costs for bank guarantees.
- Acquisition of land is not eligible in the framework of the CENTRAL EUROPE Programme.

In addition, certain limitations apply also in the following cases:

- Expenditure related to **housing** is eligible if in line with the general requirements set in Article 7 of Regulation 1080/2006 and the detailed specifications provided by Article 47 of Regulation 1828/2006.
- **In-kind contributions** shall be eligible expenditure if they fulfil the following conditions:
 - They are eligible according to national eligibility rules;
 - They consist of the provision of land or real state, equipment or raw materials, research or professional work or unpaid voluntary work and their value can be independently assessed and audited. In the framework of the CENTRAL EUROPE Programme, the provision of services between partners (e.g., estimation of costs for making available own premises for holding meetings and events) is not eligible;

⁵ Without prejudice to the eligibility of preparation costs and, where applicable, costs for the negotiation of the requests for improvement set forth by the Monitoring Committee.

- They are below 5% of the total partner's budget and do not exceed 5.000€⁶ per partner;
- The amount of ERDF co-financing does not exceed the total eligible expenditure excluding the value of such contributions.

Any further specification arising from future decisions of the programme bodies will be communicated in due time.

❖ *Conversion into Euro*

Financial reporting from the Lead Partner to the Joint Technical Secretariat will be made in Euros. Unless limitations are set in the national rules, partners located outside the Euro zone may choose one of the following options for converting their expenses to Euros:

- they can use the average monthly exchange rate set by the Commission of either the month the invoice was paid,
- they can use the 6-months average rate of the average monthly exchange rate,
- they can use the market exchange rate of the day the invoice was paid,
- they can use the market exchange rate of the last day of the reporting period.

Whatever the choice, conversion into euro must already take place at each partner's level. The selected option must be included in the Partnership Agreement and remain unchanged during the entire lifetime of the operation.

The average monthly exchange rates set by the Commission are available from <http://ec.europa.eu/budget/infocuro/>.

The daily market exchange rates from the European Central Bank are available at <http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html>

❖ *Specific provisions for expenditure incurred outside the European Community*

The Member States of the CENTRAL EUROPE Programme have agreed that funds allocated under the 10% flexibility provided for in Art. 21.3 of Regulation (EC) No 1080/2006 shall be spent under responsibility of a Lead Partner or Project Partner located in the EU CENTRAL EUROPE cooperation area (or assimilated to it) in order to ensure proper financial control. It is thus a responsibility of the control system set up by each Member State to foresee the necessary measures allowing the controllers to verify the financial supporting documents related to expenditure incurred in implementing activities outside the Community territory as requested in Art. 21.4 of the aforementioned Regulation.

Member States have also agreed that the 10% limit shall also apply at project level and for verifying this respect specific functionalities have been included in the Application Form. Monitoring of the amounts related to actual implementation is foreseen in the checklist annexed to the Control and Audit Guidelines.

⁶ Respect of these thresholds does not apply for every single reporting period, but shall be subject to verification when issuing the last validation of the concerned partner.

3.2. PROJECT BUDGET AND APPLICABLE RULES

The different budget lines in which the total budget of approved operations must be broken down are presented in the Application Manual, where also clarifications on how to allocate the different costs to each budget line are provided.

In these Control and Audit Guidelines, explanations on how to report these costs are given. In addition, an indicative list of the relevant supporting documents for each category of expenditure that need to be made available for the controllers is also provided. Also, country-specific information (contacts available on the programme web-page) should be consulted on details of how and where supporting documents should be provided. Finally, eligibility requirements are presented.

3.2.1. Staff costs

Definition
<p>This budget line refers to all personnel costs (including salary, tax, employer's contribution for national social security schemes, etc. - all calculated in accordance with the national legislation) for staff directly employed by the partner organisations officially listed in the Application Form. This staff can be either already existing staff or staff contracted ad-hoc for project purposes. Where eligible, it also includes costs of internal independent controllers.</p>
Reporting staff costs
<p>The following documents must be provided to the controller:</p> <ul style="list-style-type: none"> • At the beginning of the project, full list of staff foreseen to work on the project, stating name of the employee, qualification (i.e., direction staff, technical staff, administrative staff), function in the project, percentage of work dedicated to the project and total salary. The list has to be updated if necessary. • Working contracts and service orders stating tasks to deliver and indicative amount of days/hours or other indication of planned involvement in the project. • For people working part-time for project purposes: total salary, calculation of daily/hourly cost based on real worked hours and total amount charged to the project. • Where not provided by national eligibility rules, the calculation of staff costs for people working part-time for project purposes must be based on the following formula⁷: $\frac{\text{Gross salary + social charges}^8}{\text{Total real working days/hours}^9} \times \text{project worked days/hours}$ <ul style="list-style-type: none"> • Monthly timesheet, properly filled in with a description of the tasks carried out per day and duly signed, both by the employee and the responsible person in the institution¹⁰. • Proof of payment, both of salary (i.e., payroll) and of all compulsory taxes.

⁷ The formula can only be applied on an annual basis. In case of periods less than a year, planned real working days/hours should be applied and a correction based on actual real working days/hours should be done in the next possible progress report

⁸ Including salary costs of sickness absence and holidays

⁹ Excluding sickness absence and holidays

¹⁰ Timesheets for full-time employees may not be needed if such possibility is foreseen according to national rules, but only for staff carrying out tasks related exclusively to one single work package and in case no difference exists between the planned and the actual number of worked hours. Both conditions must be met simultaneously.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of staff costs is subject to the following:

- These costs must be calculated on the basis of the actual salary rate stated in the regular employment contracts used in the respective partner institution, meaning that no unjustified ad-hoc salary increases for project purposes are possible.
- Social charges must relate only to contributions paid by the employer and must be limited to those which are compulsory according to the national labour contract/national law. Voluntary contributions (e.g., institutional pension schemes) shall be excluded from the calculation.
- As stated, these costs must be based on real worked hours. Should the institution not keep full time records, in the project specific timesheets not only the project hours but also the total worked hours must be provided.
- Where foreseen by contract, over hours are eligible for full-time employees or for part-time employees with a contract related exclusively to the project. In all other cases, over hours can only be eligible if contracted and transparently and proportionally allocated to the project.
- Performance bonuses or other additional payments to employees are only eligible if foreseen in the signed contract, national or internal regulations (ad-hoc regulations applicable only to the project are not allowed), unless not-eligible according to national rules.

Other relevant information

Staff costs of any institution acting as associated institutions should be validated under the "External expertise" budget line, provided that these costs are finally borne by any partner institution officially listed in Section 4 of the Application Form. Should it not be possible to meet this requirement, such costs cannot be considered as eligible. In cases of in-house subcontracting, these costs, including staff costs, must be also validated under the "External expertise" budget line¹¹.

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

¹¹ Please refer to section 3.3.2 for further information on in-house subcontracting.

- Telephone, fax and Internet
- Heating, electricity
- Costs for opening and running project specific accounts
- Transnational bank charges for transfer of funds to partners
- Other administration expenditure absolutely necessary for the successful completion of the operation

Reporting administration costs

Administration costs can be either direct or indirect. Depending on it different documents must be provided to the controller:

A) Direct costs:

- Proof of expenditure (i.e., invoice) with clear demonstration of project relevance
- Proof of payment

B) Indirect costs:

- Calculation method for charging a certain percentage to the project. Where not defined by national eligibility rules, partners must use the following calculation key:

$$hL/hT$$

hL = project working hours, according to the figure reported under staff costs

hT = total actual worked hours of the partner institution. Depending on the internal structure and the invoicing system, these hours can refer to the whole institution or only to the unit/department involved in the project.

- Full list of expenditure.
- Proof of expenditure (i.e., invoices). In centralised systems, if the procedure does not foresee that all invoices are checked, this process must be undertaken during the on-the-spot checks to be performed during programme lifetime.
- Proof of payment for all expenditure items.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of administration costs is subject to the following:

- No lump sums or flat rates are allowed, nor are arbitrary calculation keys. In these cases, the whole claimed amount must be considered as not eligible.
- Must not include costs claimable in other budget categories (e.g., staff costs, equipment cost)

Other relevant information

Where applicable, administration costs linked to the services provided by external experts must be validated in the budget line "External expertise".

3.2.3. External expertise

Definition

External expertise includes costs paid on the basis of contracts or written agreements and against invoices or requests of reimbursement to external service providers who are sub-contracted to carry out certain tasks of the operation (e.g. studies and surveys, translation, coordination, financial management or audit of the operation if sub-contracted and in line with relevant national requirements).

Reporting costs for external expertise

The following documents must be provided to the controller:

- Evidence of the selection process, following a bid-at-three procedure, the national procurement rules or the Community procurement rules depending on the amount contracted¹².
- Contract laying down the services to be provided, with clear reference to the project and the programme. For experts paid on the basis of a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme and the description of the services provided in line with the contents of the contract. For experts paid on the basis of a daily fee, the invoice must include a clear quantification of the days charged, price per unit and total price.
- Deliverables.
- Proof of payment.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for external expertise is subject to the full respect of procurement rules. Also, all external expertise has to be clearly mentioned in the Application Form or, if not the case, must have been agreed by the Managing Authority/Joint Technical Secretariat beforehand in order to be considered as eligible.

The deliverables produced by the experts, especially as far as studies are concerned, must also respect the necessary publicity requirements required from promotional products.

Furthermore, and where allowed by national rules, additional contracts of external expertise nature signed with own staff of the partner institution must strictly apply transparent selection and, where applicable, public procurement procedures. Costs of such staff can be allocated to the budget line external expertise only. Such staff must provide timesheets covering total working hours (employment contracts and expert contracts) to exclude the risk of double-funding.

Finally, payment of contractual advances in accordance with normal commercial law and practice on the basis of contracts entered into by a final beneficiary or final recipient, and which are supported by receipted invoices (e.g., advance payment for a consultant carrying out a study) are eligible but dependent to later confirmation that the service has been delivered (at the latest by the end of the finalisation month as quoted in the application form).

¹² Please refer to section 3.3.1 and 3.3.2 for further details in this respect.

3.2.4. Travel and accommodation

<i>Definition</i>
<p>This cost category refers to the travel and accommodation costs and subsistence allowances of employees of the partner institutions officially listed in the Application Form related to their participation in meetings, seminars and conferences taking place both in the territory of the EU and, if applicable, in Third Countries.</p>
<i>Reporting costs for travel and accommodation</i>
<p>The following documents must be provided to the controller:</p> <ul style="list-style-type: none"> • Authorisation of mission, stating the employee(s) travelling, the destination and the start and end date of the mission. • Proof of expenditure for costs paid directly by the partner institution (e.g., invoice of travel agent, plane tickets, boarding cards). • Reimbursement request from the employee, either based on per diem or on real costs. All necessary documents proving the real costs claimed must be provided (e.g., bus or metro tickets, meal receipts). • In case of use of own car or company car, mileage calculation sheet with statement of the distance covered, the cost per unit according to national or institutional fares and total cost. • Other supporting documents (e.g., invitation, agenda, list of participants, minutes). • Proof of payment of costs directly paid by the institution respectively proof of reimbursement to the employee.
<i>Specific eligibility requirements</i>
<p>In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for travel and accommodation is subject to the following principles:</p> <ul style="list-style-type: none"> • The most cost-efficient mean of transportation shall be used. No business or first-class tickets for air transport are eligible irrespective the fact that this may be allowed by the internal rules of the institution. For other transportation means national eligibility rules must be respected. • The duration of the mission must be clearly in line with the purpose of it (e.g., from the day before to the day after the concerned meeting). • Costs for any longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g., extra hotel nights, extra per diems) do not exceed the savings eventually made in the costs for transportation. • Costs must be definitely borne by the partner institution, meaning that direct payment by the employee is not sufficient as proof of payment. • Where based on per diem, reimbursement must foresee the necessary reductions in the amounts due for those cases in which costs have been partially covered by the hosting partner (e.g., lunch or dinner costs reported under "Meetings and events").
<i>Other relevant information</i>
<p>The travel costs of any external experts participating in project activities and to be financed by the project have to be validated under "External expertise". The same applies to travel and accommodation costs of institutions acting as associated institutions.</p>

3.2.5. Meetings and events

<i>Definition</i>
<p>Costs related to the organisation of meetings (renting of premises and equipment, catering, interpretation, printing, etc.) paid on the basis of contracts with and invoices from external providers. Public procurement rules must be observed in selecting the company or individual, which will carry out the assignment. It may also include the cost of external speakers and external participants in project meetings and events if the cost will be definitively paid and borne by partners officially listed in the Application Form.</p>
<i>Reporting meeting costs</i>
<p>The following documents must be provided to the controller:</p> <ul style="list-style-type: none"> • Evidence that the most cost-efficient option has been selected and, where applicable, proof that public procurement rules have been respected.¹³ • Contract laying down the services to be provided and the date of provision, with clear reference to the project, the programme and the specific meeting/event. • Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, description of the services provided in line with the contents of the contract, quantification of the services, price per unit and total price. • Deliverables (agenda, list of participants, minutes). • Proof of payment.
<i>Specific eligibility requirements</i>
<p>In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for meetings and events is subject to the full respect of procurement rules and of publicity rules. Furthermore:</p> <ul style="list-style-type: none"> • Representation expenditures (e.g., flowers, presents) as well as costs for alcohol are not eligible. • One-off cultural events are only eligible if they are part of the approved work plan. Costs for interventions of artists are in all cases not eligible. • Complementary activities (i.e., visits) linked to internal or external events must have clear project relevance. Otherwise, costs linked to them are not eligible.

3.2.6. Promotion costs

<i>Definition</i>
<p>Costs resulting from press releases, inserts in newspapers, leaflets, TV shows, brochures, newsletters and other publication costs not linked to specific events or seminars. These costs shall be paid on the basis of the contracts with and invoices from the service providers.</p>

¹³ Please refer to sections 3.3.1 and 3.3.2 for further details in this respect.

Reporting promotion costs

The following documents must be provided to the controller:

- Evidence that the most cost-efficient option has been selected and, where applicable, proof that public procurement rules have been respected.¹⁴
- Contract laying down the services to be provided, with clear reference to the project and programme.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, description of the services provided in line with the contents of the contract, quantification of the services, price per unit and total price.
- Deliverables (brochures, newsletters, leaflets, gadgets).
- Proof of payment.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, eligibility of promotion costs is subject to the full respect of procurement rules and of publicity rules.

3.2.7. Equipment***Definition***

This budget line refers to the purchase of **IT equipment** - including software - of office use (i.e., not linked to any investment) and necessary for successfully running the project. Where strictly necessary, **office furniture** is considered as eligible expenditure and should also be charged to this budget line.

Reporting equipment costs

The following documents must be provided to the controller:

- Evidence that the most economic option for the features requested has been purchased.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, detailed description of the goods purchased, quantification of the goods, price per unit and total price.
- Proof of payment.

¹⁴ Please refer to sections 3.3.1 and 3.3.2 for further details in this respect.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, it has to be ensured that the equipment (for both, new and second-hand equipment):

- has not already been financed by other subsidies (e.g. EU, national or regional) and
- has not already been depreciated and
- is not claimed in another category such as the administration budget line.

Being mostly depreciable assets, their full cost can only be claimed as eligible if the period going from the date of purchase to the end date of the operation is longer than the normal depreciation period for each type of equipment. Otherwise, only the portion of the equipment's depreciation corresponding to the share of actual use for the purpose of the project may be taken into account. Cost of low-value assets which are not depreciable shall be charged in full in the period in which payment has intervened.

These purchases have to respect public procurement rules. The most economic type of equipment should be chosen and the equipment features/functions should be in line with the actual context of use.

Equipment for which the exclusive use in the framework of CENTRAL EUROPE project cannot be demonstrated should be charged on a pro-rata basis, also as far as depreciation is concerned.

The purchase costs of **second-hand equipment** are eligible provided that, in addition to the requirements listed above, the following three conditions are met:

- the seller of the equipment provides a declaration stating its origin and confirming that at no point it has been purchased with the aid of other financial instruments (EU, national or other grants)¹⁵;
- the price of the equipment must not exceed its market value and must be less than the cost of similar new equipment. Fulfilment of this requirement must be confirmed by means of an expert statement;
- the equipment must have the technical characteristics necessary for the project and comply with applicable norms and standards.

All equipment has to be clearly mentioned in the Application Form or, if not the case, must have been agreed by the programme bodies beforehand in order to be considered as eligible.

Also in this case, the requirements concerning durability of operations, including those related to ownership, provided in article 57 of the General Regulation must be also respected.

Finally, controllers must verify on-the-spot that such equipment exists and that it is clearly identified as project equipment.

¹⁵ Specific periods according to national rules must be respected.

3.2.8. Investments

Definition

The investments budget line includes costs related to financing infrastructure and construction works as well as the purchase of physical objects not falling into the scope of the equipment budget line and which may be either linked or independent from the infrastructure and construction works themselves.

Costs for infrastructure and works may refer either to an investment that will be set up ex-novo or to adaptation of an already existing infrastructure. Whatever the case, these costs are only eligible if referring to pilot actions having a demonstrative effect.

Reporting investment costs

The following documents must be provided to the controller:

A) For works:

- Evidence of the selection process, following a bid-at-three procedure¹⁶, the national procurement rules or the Community procurement rules depending on the amount contracted.
- Contract laying down the works to be provided, with clear reference to the project and programme. For contracts based on a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, description of the works performed in line with the contents of the contract, quantification of the work, price per unit and total price.
- Proof of payment.

B) For investment-related equipment and other goods:

- Evidence that the most economic option for the features requested has been purchased.
- Detailed invoice, clearly stating date of the invoice, the payee, the payer, the name of the project and the programme, detailed description of the goods purchased, quantification of the goods, price per unit and total price.
- Proof of payment.

Specific eligibility requirements

In addition to the general eligibility requirements, together with the existence of the necessary proof of expenditure and proof of payment, public procurement rules should be carefully respected when awarding contracts for the realisation of works. Likewise, publicity and information rules laid down in Article 8 of Commission Regulation (EC) No 1828/2006 should be strictly followed.

Furthermore, and depending on the nature of the investment, all compulsory requirements set by Community and national legislation related to the respective investment, and ensuring the respect of environmental policies (e.g., feasibility study, environmental impact assessment, building permission, etc.), must be fulfilled. In particular, any requirement

¹⁶ Please refer to section 3.3.1 for further details in this respect.

deriving from the different Directives in force must be strictly observed. These Directives are:

- The Environmental Impact Assessment or EIA Directive¹⁷
- The environment Directive¹⁸
- The Birds and Habitats Directive¹⁹
- The Water Framework Directive²⁰
- The Waste Framework Directive²¹
- The Landfill Directive²²
- The Incineration Directive²³

All investments must be clearly mentioned in the Application Form and they must be subject to on-the-spot checks by the controllers. Equipment making part of the investment must fulfil all eligibility criteria presented for equipment costs. On-the-spot checks must cover investment-related equipment as well.

Also in this case, the requirements concerning durability of operations, including those related to ownership, provided in article 57 of the General Regulation must be respected as well. Eligibility of payments in advance related to the delivery of works applies under the same conditions presented for the “External expertise” budget line.

Other relevant information

Costs of feasibility studies and environmental impact assessments needed prior to realisation of the Pilot Actions and delivered during project implementation should be allocated to the “External expertise” budget line.

3.2.9. Other costs

Definition

Any cost not falling in the scope of all previous budget lines should be validated under the “Other costs” budget line. Nevertheless, only those costs mentioned as such in the approved Application Form can be considered as eligible.

Reporting other costs

- Depending on their nature, proof of expenditure shall vary from one case to the other. It is up to the controllers to decide which type of documentary evidence shall be provided on a case-per-case basis.
- Proof of payment.

¹⁷ Council Directive 85/337/EEC, as last amended by Directive 2003/35/EC

¹⁸ Council Directive 90/313/EEC, as amended by 2003/4/EC

¹⁹ Council Directive 79/409/EEC and Council Directive 92/43/EEC

²⁰ Directive 2000/60/EC, as last amended by Directive 2008/32/EC

²¹ Council Directive 2006/2/EC

²² Council Directive 1999/31/EC

²³ Council Directive 2000/76/EC

Specific eligibility requirements

Apart from the requirement of being mentioned in the approved Application Form, together with the existence of the necessary proof of expenditure and proof of payment, the general eligibility principles shall apply.

3.2.10. Preparation costs

In the framework of the CENTRAL EUROPE Programme, preparation costs do not constitute a specific budget line, but a work package in itself. On this basis, they consist in the addition of costs for different budget lines, namely:

- Staff costs
- Administration costs
- External expertise
- Travel and accommodation
- Meetings and events

As a result, all requirements specified for these five budget categories are applicable also to the eligibility of preparation costs. In addition to these, the following requirements apply as well:

- Preparation costs are only eligible if foreseen in the approved Application Form;
- Only partners having stated preparation costs in Table 6 of the approved Application Form can claim this type of costs;
- Only the budget lines used in WPO of Table 4 of the approved Application Form can be taken into consideration;
- These costs must relate exclusively to preparation activities carried out between 1 January 2007 and the date on which the Application Form has been submitted. Payment of these costs can nevertheless intervene in part or in full after the submission deadline;
- The eligible preparation costs are subject to a ceiling of EUR 20.000,-.

Please note that costs related to the negotiation of requests put forward by the Monitoring Committee and that must be fulfilled prior to contracting are in all cases to be considered as implementation and not preparation costs.

3.3. COMPLIANCE WITH EU POLICIES AND OTHER RULES**3.3.1. The principle of cost efficiency**

Most Member States set clear requirements for ensuring transparency in the selection process when partners purchase goods and services below Community and national tendering thresholds. Nevertheless, from a transnational perspective, such thresholds may substantially differ in amounts among countries or may not be defined at all in others.

In order to ensure a harmonized approach in terms of ensuring transparent contracting procedures, equal treatment and cost efficiency, the CENTRAL EUROPE Programme applies the bid-at-three rule. This means that, unless stricter rules apply, project partners must collect at least three offers for all contracting amounts between 2.500€ (excl. VAT), and the threshold set by the Community and institutional, regional and national procurement rules.

The offers must be received in writing and have to be properly documented. If it is impossible to collect such offers, at least the activities undertaken in order to obtain them have to be documented.

3.3.2. Public procurement

The purchase of goods and services, as well as the ordering of public works, by public services or other public bodies, is subject to national, Community and institutional rules. The procurement rules aim at securing transparent and fair conditions for competing on the common market and should be followed by the operation partners when commissioning the above services, works or deliveries. Rules differ depending on the kind of goods and/or services to be purchased, as well as the value of the purchase. The information on EC competition and public procurement rules is available on the Web site of DG Internal Market at:

http://ec.europa.eu/internal_market/publicprocurement/legislation_en.htm

The most updated thresholds are provided in Commission Regulation (EC) 1422/2007 of 4 December 2007 and are available on the Programme's website.

In the framework of the CENTRAL EUROPE Programme, rules on public procurement are mandatory and have to be respected also by private bodies and international organisations.

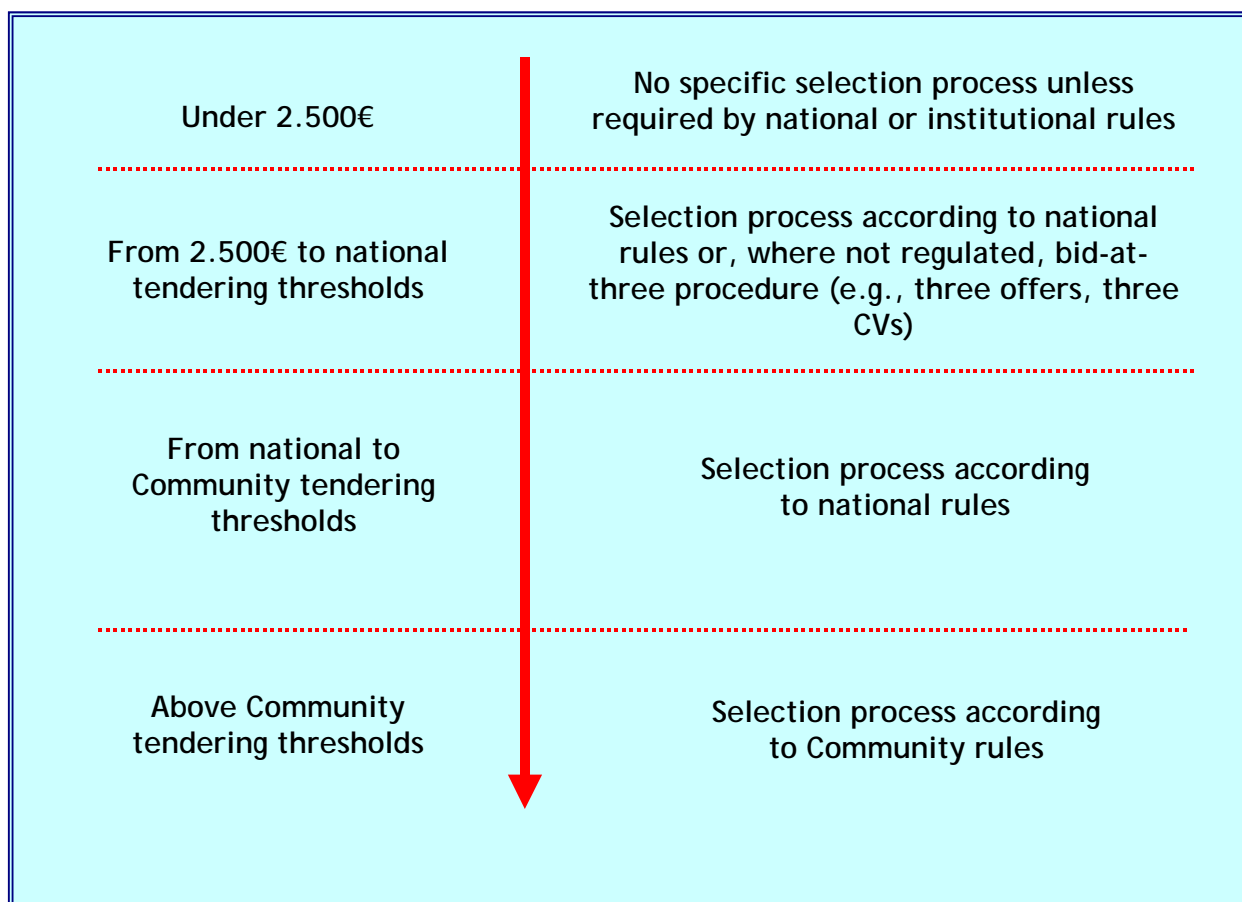
The CENTRAL EUROPE Programme will follow the contents of the "Guidance document on management verifications to be carried by Member States on operations co-financed by the Structural Funds and the Cohesion Fund for the 2007-2013 programming period"²⁴. In this respect, controllers are asked to verify the existence of evidence concerning the proper application of selection and tendering processes. This evidence should be based in the positive outcome of checks concerning, among others:

- The appropriateness of the procurement method being used in accordance with the awarding amount;
- The appropriateness of the selection and award criteria, the lack of confusion between both and the use of the published criteria during the evaluation process;
- The compliance of these criteria with the fundamental principles of the EC Treaty (transparency, non-discrimination, equal treatment);
- The adequateness of the level of advertisement of the contract;
- The lack of discriminatory technical specifications;
- The adequateness of the tender evaluation reports prepared by evaluation committees and the existence of complaints submitted to the contracting authority by the excluded tenderers.

During early programme implementation stages, the on-going checks by the Managing Authority presented in point 1.3. B) will primarily tackle verification of the respect of public procurement rules in all participating Member States.

²⁴ COCOF 08/0020/03-EN

The following figure provides an overview of the selection processes to be implemented according to the amount of the contract to be concluded:



As far as **in-house subcontracting** is concerned, partners are reminded that the requirements deriving from the latest ruling in this matter by the European Court of Justice²⁵ imply that:

- 1) The public body awarding the contract must exert on the “in house” society an analogous control to that exercised upon its own internal services;
- 2) The “in house” society must carry out the main part of its tasks for the awarding public body.

As far as the first requirement is concerned, the participation - even if in a minority share - of a private enterprise to the society owned also by the awarding public body excludes the prerequisites for considering that the analogous control actually exists.

When the conditions for an in-house subcontracting are given, costs of the contracted company must always be charged on a real-costs basis, thus without any profit margin. In addition, they should be always charged under the external expertise budget line.

Even if not frequent, and due to its negative financial effects in case of infringement, partners must check the fulfilment of all necessary requirements prior to awarding contracts from an in-house perspective.

²⁵ Judgement C- 26/03 of the European Court of Justice of 11 January 2005 (Stadt Halle).

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 partners to any final recipient).

On the basis of the specific assessment performed, any project proposal involving indirect State Aid will have specific contractual conditions in this respect. Controllers should verify the existence of these conditions in the subsidy contract and, during the validation process, request and receive all necessary evidence proving that the conditions have been respected.

Being the discipline of State Aid applied in CENTRAL EUROPE using the *de minimis* regime, for those cases in which the indirect aid is strictly of financial nature, controllers must request and receive proof that the aid threshold of 200.000€²⁶ for the last three fiscal years has been respected. Even if self-declarations can represent the most straightforward option, where existing, other national or regional sources of information (e.g., *de minimis* databases or registers) shall be taken into consideration.

3.3.4. Publicity rules²⁷

The Implementing Regulation sets out a number of specific obligations for beneficiaries of the programme as regards their publicity obligations. Based on this legal foundation, as well as specific programme requirements, the following information and publication responsibilities apply to beneficiaries of operations co-financed by CENTRAL EUROPE.

- 1) All information and publicity measures shall include the CENTRAL EUROPE programme logo in the form made available explicitly as download for project promoters on the website www.central2013.eu, i.e. in the version that includes the programme slogan "Cooperating for success".

The programme logo needs to be placed on the first page (or equally prominent place such as the front of a conference bag, exhibition display or power point presentation). The size of the programme logo should not be smaller than the size of other logos displayed on the same page or surface (e.g. project logo, logo of the Lead Partner institution) and the text "Central Europe" and "Cooperating for success" should be clearly readable.

- 2) All information and publicity measures shall also include the EU emblem with the references "European Union" and "European Regional Development Fund" in the form made available explicitly on the CENTRAL EUROPE website. The exact location and size of the EU emblem is left to good judgement. However, the text "European Union" and "European Regional Development Fund" should be clearly readable.

²⁶ 100.000€ for projects related to the transport sector.

²⁷ Contents as per CENTRAL EUROPE Implementation Manual.

- 3) Both logos are available for download at the programme homepage as “Obligatory programme logo” and “Obligatory EU logo”. The link to the download section on the programme homepage is the following:

<http://www.central2013.eu/working-with-central/document-center/maps-logos.html>

Obligatory programme logo:



Obligatory EU logo:



- 4) In case both logos are placed close to each other on the same page/space it is recommended to use the following option that includes both logos in one file as well as the necessary references. This file is also available at the download section of the programme website as “Combined logo option”.

Combined logo option:



- 5) For very small spaces with an available print size smaller than 1 cm in height such as on pens or lanyards, where due to the lack of size the fonts would be too small to be readable, the following solution can be exceptionally (only for small spaces!) used. This file is also available at the download section of the programme website as “Small surface logo”.

Small surface logo:



- 6) For project websites it is compulsory to place the programme logo and the EU-Emblem (incl. the above-mentioned references to the EU and ERDF) on the homepage, i.e. the first page of the project website, and to place a hyperlink from the programme logo to the programme homepage www.central2013.eu and from the EU Emblem to the homepage of DG Regio²⁸ using either both logos separately or the combined logo option.
- 7) In addition to displaying the appropriate logos, all promotion and publicity measures of beneficiaries shall also mention the project name and website address or the contact details of the Lead Partner (name, phone number and e-mail).
- 8) Pursuant to article 8 of regulation 1828/2006, in case projects with a total public contribution exceeding 500.000 Euro include the construction or rehabilitation of infrastructure or small-scale infrastructure, a billboard/plaque needs to be placed on site of each of these infrastructure-related measures, regardless of the cost of this measure.

In case that there are several constructions/ rehabilitation measures within one trans-national project, the billboards/plaques should be placed on all of them. The Lead Partner offices do not need to have billboards/plaques, unless there are construction/ rehabilitation measures undertaken that apply to the site of the Lead Partner offices.

These plaques must respect the requirements set both in Article 8 and Article 9 of Regulation 1828/2006.

3.3.5. Equal opportunities

The implementation of projects approved under the CENTRAL EUROPE Programme should be in line with Article 16 of the General Regulation, concerning equal opportunities for men and women as well as combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

For control purposes, self-declarations from the partners should be in principle sufficient in order to guarantee the respect of the principle of equal opportunities. These declarations should include the following minimum confirmations:

- That staff recruitment processes carried out in the project adhere to the principles of equal opportunities;
- That equality is promoted in the project's committees and boards;
- That the events organised by the project do not represent any barrier to participation (e.g., location favouring accessibility);
- That there are no other barriers to participation;
- That all national rules on the issue of equal opportunities have been respected.

Nevertheless, in the case of specific actions (e.g., trainings) foreseen in the project, the principles of equal opportunities should be particularly ensured. In this respect, further checks should be performed by the controllers by examining - for example - the list of participants.

3.3.6. Protection of the environment

Projects should also be coherent with the objectives of protection and improvement of the environment foreseen in Article 17 of the General Regulation and Article 6 of the Treaty. This requirement is especially relevant for those projects foreseeing infrastructure works and, in general, the realisation of investments. For this purpose, specific eligibility requirements - including

²⁸ http://ec.europa.eu/regional_policy/index_en.htm

the respect of the Directives in force - have been provided for the costs related to the budget line "Investments". In addition to this, for all soft measures foreseen in the work plan, partners should submit to the controllers for verification self-declarations stating the respect of all national laws in terms of environmental impact.

3.3.7. Other applicable rules

One important element to be taken into account when participating in EU funded projects is the need for implementing measures to avoid **double funding** from different co-financing sources for the same expenditure item. Whereas analytical accounting systems help in this respect, more straightforward measures must also be foreseen.

Irrespective of the control system in place in the different Member States, the practice of annulling original invoices and other probative documents by stamping them is compulsory in the framework of the CENTRAL EUROPE programme. The used stamp must make explicit reference to the fact that the expenditure has been co-funded by the programme. In addition, the amount or share claimed as eligible for every expenditure item must be clearly indicated.

3.4. VALIDATION OF EXPENDITURE

Before submission to the JTS, expenditure declared by each partner in every progress report has to be verified and confirmed by an independent Controller selected in accordance with the first level control system set up by each Member State.

As presented in chapter 1, the main verifications to be done cover:

- The delivery of the products and services co-financed;
- The reality of the expenditure claimed;
- The eligibility of the expenditure according to Community, national and Programme rules;
- The compliance of the expenditure with Community rules on public procurement, State Aid, publicity and information, protection of the environment and equal opportunities.

In addition, first level checks will verify that the expenditure has been incurred for the purpose of implementing the operation in accordance with the contents of the Subsidy Contract, including the latest version of the approved application form which is an integral part of the contract itself.

Finally, these checks will verify the existence and effective functioning of an accounting system on the level of each partner, either separate or analytical-based, allowing for a clear identification of all project-related expenditure and avoiding the possibility of double-funding.

In each application for reimbursement, first level control checks should generally cover 100% of the incurred expenditure. In duly justified cases, selection of the expenditure items to be controlled can be done on a sampling basis applying a suitable and transparent methodology.

In case of applying a sampling method the controls must be comprehensive in relation to the various expenditure categories and take account of all risk factors affecting the project. The overall control checks must cover at least more than 80% of the incurred expenditure of the application for reimbursement. The method applied and the sample taken as well as the results must be documented carefully and in a transparent way. The methodology has to contain steps to be taken in case of findings in the sample (e.g. enlarging the sample - full check).

3.5. CONFIRMATION OF CONTROL

After conclusion of the verification process, every controller must issue a confirmation of the control work done. For this purpose, the template in English language provided in Annex 1 b²⁹ must be used. Unlike other programmes, no specific confirmation of control must be issued by the controller of the Lead Partner covering the entire verified expenditure of the whole partnership³⁰, meaning that the Lead Partner's controller is not responsible for the validation of the joint financial report and is only responsible for the validation of the Lead Partner's own expenditure. On this basis, and as presented in the CENTRAL EUROPE Implementation Manual, validations of all partners must be delivered together with every six-monthly progress report.

3.6. INTERNAL CONTROL REPORT AND CHECKLIST

By signing the confirmation provided in Annex 1, the controller is verifying all requested control items and declares the proper use of funds. This statement must be based on proper checks and must be complemented by an **internal control report**.

The controller's internal control report is useful for the controllers themselves as well as for the lead partners and partners and the National Coordinator and National Contact Point. The report is also part of the project documentation/audit trail and serves primarily as an internal document; the Joint Technical Secretariat will request evidence of the delivery of these documents especially in the early stages of project implementation. Afterwards, these verifications will be carried out on a random basis.

The internal control report should contain at least the following elements:

1. A short description of the methodology used for the checks (assurance that controls cover 100% of expenditure, nature of the documents tested, national and EU rules checked).
2. Mention of the amount of expenses checked and of the period considered. Mention must be made of specific tests realised.
3. Mention that not only incurred expenses has been checked but also that these expenses have been paid within the reference reporting period³¹.
4. A clear list of not eligible expenditure and the reasons leading to this judgement.

The level of detail and depth of the testing to be carried out are to be determined by the controller's professional judgement according to each situation.

The internal report of the controller must also include a **checklist** in which written evidence of the checks performed is provided.

A model of internal control report (including checklist) is provided as Annex 2.

²⁹ Annex 1 a in case of preparation costs.

³⁰ Lead Partners can entrust either their financial managers or, if applicable, their own controllers the tasks required in order to perform the necessary controls deriving from Article 20.1.c) of the ERDF Regulation.

³¹ In line with Section 2.4 of the Implementation Manual, it can also include specific items of expenditure paid in previous period(s) but for which the validation as eligible was pending the resolution of contradictory processes between the partner and its controller

4. AUDITS OF PROJECTS

4.1. THE AUDIT AUTHORITY AND THE GROUP OF AUDITORS

The Audit Authority is a new programme body responsible for Second Level Control. As far as operations are concerned, the main task of the Audit Authority³² is to ensure that audits are carried out on projects on the basis of an appropriate sample and according to internationally accepted audit standards in order to verify the expenditures declared.

In accordance with Article 14(2) of the ERDF regulation, the Audit Authority will be assisted by a **Group of Auditors** comprising representatives of responsible bodies of each Member State participating in the Operational Programme.

In the framework of CENTRAL EUROPE, the Audit Authority and the Group of Auditors have entrusted the performance of audit work to an external audit firm. This firm will carry out its work in accordance with the Audit Strategy decided by the Audit Authority with the support of the Group of Auditors. Since both the Audit Strategy and the overall methodology for second level control are yet to be finalised, the contents herewith presented are subject to modification. Nevertheless, they already provide to partners participating in approved operations a general overview on the processes.

4.2. PROJECT SAMPLING

Whereas in the period 2000-2006, programmes were clearly requested to perform audits on at least 5% of the total programme expenditure, in the new programming period the regulations do not specify the amount of audits to be performed. Nevertheless, and irrespective of the sampling methods that will be used (statistical, non-statistical, risk-oriented), operations must bear in mind that audit coverage will definitely be higher thus raising the chances of being subject to control.

Annual or semi-annual samples will be drawn up on the basis of the projects for which a payment claim has been included in the certifications of expenditure submitted by the Certifying Authority to the Commission the previous year or, if semi-annual, in the first half of the year. Even if an operation is sampled, audits will not necessarily cover all partners; whereas the Lead Partner will always be subject to control, the rest of the partners will be selected in a way that ensures a balanced distribution of audits in the whole programme area. In addition, the approved samples will allow for auditing an adequate mix of different types and sizes of operations running under the different priorities of the programme.

Upon approval of the samples by the Group of Auditors, selected partners will be notified in due advance about the date of the audits. On a normal basis, audits will take place at the premises of the partners themselves or, where different, at the place where partners store the necessary supporting documents³³. This notification will also provide the list of documents to be checked which, according to the scope of the audit, correspond to the documents that partners should have previously submitted to their controllers for first level control purposes.

4.3. PROJECT AUDIT AND FOLLOW-UP

Audits on operations will be spread during the entire programme lifetime. For audits on the same operation, audits on partners will take place almost simultaneously in order to allow for a quick aggregation of results.

³² See art. 59, 62 and 73 of the General Regulation and art. 14 and 16 of the ERDF Regulation as well as the Operational Programme par. 6.1.5.

³³ This location - stated in the partnership agreement - must be communicated to the Managing Authority when submitting the agreement together with the start-up report.

During the audit work, the firm in charge of carrying out the audits will analyse a number of processes related to project implementation and which exceed the simple verification of the eligibility of expenditure. An indicative list of the processes subject to examination is the following:

- Control of existence of the project
- Compliance with Community rules
- Reporting obligations
- Control of declared expenditure
- Control of actual payment
- Control of receipts and co-financing
- Control of the audit trail
- Review of first level control

For each breaching, an audit finding will be raised, clearly stating the reasons and providing recommendations for clearance of the finding. All findings will be presented to the audited body at the end of the control exercise.

Once the controls for all partners of the same operation will be finalised, a preliminary report will be drawn and submitted to the national representative in the Group of Auditors, who will agree on the clarity of the report. After the preliminary report is approved, the document (now called draft report) will be submitted to the auditees in order to undergo a contradictory procedure, which is facilitated by the national member of the Group of Auditors. As a result of this procedure, a final audit report - in which only those findings which have been confirmed are stated - will be delivered. From this moment onwards, the follow-up process can start.

In short, the follow-up process will be based on the type of findings that have been raised:

- Should the findings have a financial effect, the amounts considered as not eligible will be withdrawn from the next payment claim (or be recovered from the Lead Partner if the operation is already finalised);
- Should the findings have no financial effect, the affected partners will have to document that the recommendations set by the auditors have been put in place.

Operations should bear in mind that, in case the results presented in the final audit report show a high number of deficiencies, payments by the Certifying Authority will be temporarily suspended and will only be recommenced once all necessary financial corrections have been undertaken.

In order to avoid unnecessary delays, operations should follow a number of simple rules:

A) Prior to the audits:

- Ensure that all requested documents are available and properly arranged for the date of the audits.

B) During the audits:

- Guarantee the presence of the respective financial manager and, if possible, also of its first level controller in order to give the necessary clarifications;
- Be ready for granting access to the internal accounting system and providing further documents requested on-the-spot;
- Having clearly understood, if applicable, the findings that have been raised by the auditor. This does not necessarily imply the agreement with them.

C) After the audits:

- Promptly address the requests for action put forward by the programme bodies.

Notwithstanding the Lead Partner principle, the whole process will imply a close contact of the programme bodies directly with the partners subject to control.

4.4. OTHER AUDITS

According to the contents of the subsidy contract, the responsible EU auditing and, within their responsibility, the auditing bodies of the participating EU Member States or other national public auditing bodies as well as the MA and CA are entitled to audit the proper use of funds by the LP or by its PPs or to arrange for such an audit to be carried out by authorised persons. The LP and PPs will be notified in due time about any audit to be carried out on their expenditure.

For this purpose, the LP will give access to relevant authorities to their business premises, to provide all the information and documents supporting the audit trail. Always on the basis of the subsidy contract, the LP will keep all information and supporting documents related to the project at least until 31 December 2022 (i.e. a period of three years following the closure of the programme). Other possibly longer statutory retention periods, as might be stated by national law, remain unaffected. In addition, the LP and PPs will keep all information and supporting documents regarding a grant under the *de minimis* aid scheme also until 2022.

5. ANNEXES

ANNEX I

A) TEXT CONFIRMATION FOR PREPARATION COSTS



EUROPEAN UNION
**EUROPEAN REGIONAL
 DEVELOPMENT FUND**

CENTRAL EUROPE - Confirmation of control for preparation costs

Project Identification Number:
Acronym:
(Lead/ or) Project Partner Institution:

Based on verifications within the meaning of Article 16 paragraph 1 of Commission Regulation (EC) 1080/2006 performed on expenditure declared by the above-mentioned (Lead/ or) Project Partner, we confirm the following:

1. For this report the total paid and confirmed expenditure amounts to EUR <0,00>, of which EUR <0,00> as in-kind contribution. This amount is free from any reservation casting doubts on its eligibility.
2. The rules listed in the subsidy contract have been observed, including, but not limited to rules governing the eligibility of expenditure (Article 56 of Regulation (EC) No 1083/2006, Article 7 of Regulation (EC) No 1080/2006, Article 48 to 53 of Regulation (EC) No 1828/2006, relevant national and internal regulations of the Partner and rules laid down in the latest version of the CENTRAL EUROPE Control and Audit Guidelines.
3. Costs were incurred between 1 January 2007 and the date on which the first version of the application form approved by the Monitoring Committee has been submitted. The costs referred to were paid out at the latest by the end date of the first reporting period.
4. There is evidence that the reported activities have taken place and the delivery of services and goods was completed during the preparation period have been completed.
5. Receipts and payments are accurately recorded in the project's accounting system, expenditure in another currency other than the Euro was correctly converted, assets are properly recorded and amounts are correctly reflected in the demands for payment. Any revenues generated were deducted from the eligible expenditure. The necessary audit trail exists for all activities, providing evidence in the form of contracts, invoices and payment records. In case of staff costs, administration costs, the necessary evidence exists in a form of timesheets, listings of costs or formula descriptions and cost calculations.
6. Services, supplies and works have been procured on the basis of transparent selection processes or proper call for tenders in compliance with European, national, regional or internal rules, sound controls have been exerted over the opening of the tenders and all tenders have been fully evaluated before the final decision has been made on service provider, supplier or works contractor
7. The Partner has complied with Community rules and policies including publicity, information, equal opportunities, protection of environment, state aid, competition and public procurement.
8. The control work has been documented in a control report (including a control checklist), which is based on CENTRAL EUROPE template serving as minimum requirements.

I hereby confirm that I / the company is independent from the project's activities and financial management and authorized and qualified to carry out the control in respect of the control requirements valid in the EU-Member State on whose territory the Partner is located.

Place: _____ Date: _____
 Name of controller: _____
 Institution: _____

Signature of the Controller:

Official stamp:

B) TEXT CONFIRMATION FOR EVERY PROGRESS REPORT



EUROPEAN UNION
**EUROPEAN REGIONAL
DEVELOPMENT FUND**

CENTRAL EUROPE - Confirmation of control

Project Identification Number:
Acronym:
(Lead/ or) Project Partner Institution:
Reporting period for which the confirmation is issued: mm/yyyy to mm/yyyy

Based on verification within the meaning of Article 16 paragraph 1 of Commission Regulation (EC) 1080/2006 performed on expenditure declared by the above-mentioned (Lead/ or) Project Partner, we confirm the following:

1. For this report the total paid and confirmed expenditure amounts to EUR <0,00>, of which EUR <0,00> as in-kind contribution. This amount is free from any reservation casting doubts on its eligibility and it includes, where applicable, the amount of shared costs imputable to the partner.
2. The rules listed in the subsidy contract have been fully observed, including, but not limited to rules governing the eligibility of expenditure (Article 56 of Regulation (EC) No 1083/2006, Article 7 of Regulation (EC) No 1080/2006, Article 48 to 53 of Regulation (EC) No 1828/2006, relevant national and internal regulations of the Partner and rules laid down in the latest version of the CENTRAL EUROPE Control and Audit Guidelines).
3. The costs reported in this report refer to expenditure paid from the starting date of the operation until the end of the reporting period and not previously reported³⁴.
4. Receipts and payments are accurately recorded in the project's accounting system, expenditure in another currency other than the Euro was correctly converted, assets are properly recorded and amounts are correctly reflected in the demands for payment. Any revenues generated were deducted from the eligible expenditure. The necessary audit trail exists for all activities, providing evidence in the form of contracts, invoices and payment records. In case of staff costs, administration costs, the necessary evidence exists in the form of timesheets, listings of costs or formula descriptions and cost calculations.
5. Services, supplies and works have been procured on the basis of transparent selection processes or proper call for tenders in compliance with European, national, regional or internal rules, sound controls have been exerted over the opening of the tenders and all tenders have been fully evaluated before the final decision has been made on service provider, supplier or works contractor.
6. Progress made has been fully and fairly reflected in the report. There is evidence that the reported activities have taken place, delivery of services and goods, and works are in progress or have been completed. The expenditure exclusively refers to activities listed in the latest approved version of the application form and completed at the latest by the end of the approved finalisation month.
7. The Partner has complied with Community rules and policies including publicity, information, equal opportunities, protection of environment, state aid, competition and public procurement.
8. The control work has been documented in a control report (including a control checklist), which is based on CENTRAL EUROPE template serving as minimum requirements.
9. After addition of this validation, the total amount of validated expenditure since the beginning of the project³⁵ amounts to EUR <0,00>, of which EUR <0,00> as in-kind contribution.

³⁴ In case of first reporting period, including costs related to negotiation of conditions. In case of last period, including costs incurred and paid during the 3 months closure period.

³⁵ Including preparation costs.

I hereby confirm that I / the company is independent from the project's activities and financial management and authorized and qualified to carry out the control in respect of the control requirements valid in the EU-Member State on whose territory the Partner is located.

Place: _____ Date: _____
Name of controller: _____
Institution: _____

Signature of the Controller:

Official stamp:

CENTRAL EUROPE - Confirmation of control Breakdown of validated expenditure³⁶

Project Identification Number:		Acronym:						
Name of the (Lead/ or) Project Partner:								
Reporting period for which the confirmation is issued:				Preparation costs or period <mm/yyyy to mm/yyyy>				
	WPO	WP1	WP2	WP3	WP4	WP5	WP6	TOTAL
Staff costs								
Administration costs								
External expertise								
Travel and accommodation								
Meetings and events								
Promotion costs								
Equipment								
Investments								
Other								
TOTAL								

Place: _____

Date: _____

Name of controller: _____

Institution: _____

Signature of the Controller:

Official stamp:

³⁶ Excel version available for download at the Programme's website.

C) TEXT CONFIRMATION FOR SHARED COSTS



EUROPEAN UNION
**EUROPEAN REGIONAL
DEVELOPMENT FUND**

CENTRAL EUROPE - Confirmation of control for shared costs

Project Identification Number:
Acronym:
(Lead/ or) Project Partner Institution:
Reporting period for which the confirmation is issued: mm/yyyy to mm/yyyy

Based on verification within the meaning of Article 16 paragraph 1 of Commission Regulation (EC) 1080/2006 performed on expenditure declared by the above-mentioned (Lead/ or) Project Partner, we confirm the following:

1. For this report the total paid and confirmed shared expenditure amounts to EUR <0,00>, of which EUR <0,00> as in-kind contribution. This amount is free from any reservation casting doubts on its eligibility.
2. These costs refer to expenditure paid from the starting date of the operation until the end of the reporting period and not previously reported.
3. The share to be applied to each partner has been calculated in accordance with the contents of the Partnership Agreement and is presented in the annexed table, duly split also per work package and per budget line³⁷.
4. The rules listed in the subsidy contract have been fully observed, including, but not limited to rules governing the eligibility of expenditure (Article 56 of Regulation (EC) No 1083/2006, Article 7 of Regulation (EC) No 1080/2006, Article 48 to 53 of Regulation (EC) No 1828/2006, relevant national and internal regulations of the Partner and rules laid down in the latest version of the CENTRAL EUROPE Control and Audit Guidelines).
5. Receipts and payments are accurately recorded in the project's accounting system, expenditure in another currency other than the Euro was correctly converted, assets are properly recorded and amounts are correctly reflected in the demands for payment. Any revenues generated were deducted from the eligible expenditure. The necessary audit trail exists for all activities, providing evidence in the form of contracts, invoices and payment records. In case of staff costs, administration costs, the necessary evidence exists in the form of timesheets, listings of costs or formula descriptions and cost calculations.
6. Services, supplies and works have been procured on the basis of transparent selection processes or proper call for tenders in compliance with European, national, regional or internal rules, sound controls have been exerted over the opening of the tenders and all tenders have been fully evaluated before the final decision has been made on service provider, supplier or works contractor.
7. There is evidence that the reported activities have taken place, delivery of services and goods, and works are in progress or have been completed. The expenditure exclusively refers to activities listed in the latest approved version of the application form and completed at the latest by the end of the approved finalisation month. In addition, the activities to which the validated costs refer to have been identified in the Partnership Agreement as activities for which the costs should be shared among the partners.
8. The Partner has complied with Community rules and policies including publicity, information, equal opportunities, protection of environment, state aid, competition and public procurement.
9. The control work has been documented in a control report (including a control checklist), which is based on CENTRAL EUROPE template serving as minimum requirements.

³⁷ No pre-defined format will be provided by the programme.

I hereby confirm that I / the company is independent from the project's activities and financial management and authorized and qualified to carry out the control in respect of the control requirements valid in the EU-Member State on whose territory the Partner is located.

Place: _____ Date: _____
Name of controller: _____
Institution: _____
Signature of the Controller: _____ Official stamp: _____

ANNEX 2

A) MODEL OF INTERNAL CONTROL REPORT

CENTRAL EUROPE - Internal control report

A) Project and partner checked:

Index:	
Acronym:	
Partner institution:	
Contact Person:	
Telephone number / Fax:	
e-mail:	
Function in the project	<input type="checkbox"/> Lead partner <input type="checkbox"/> Project Partner

B) Control Information:

Methodology	<i>Provide an overview of the control procedure followed and nature of the documents/evidence checked and EU rules checked. Include confirmation of 100% of expenditure check.</i>
Place of check	<input type="checkbox"/> Desk check <input type="checkbox"/> On-the-spot check ³⁸
Amount declared by Partner to the Controller	
Amount accepted and confirmed by the Controller	
<ul style="list-style-type: none"> ○ General observations concerning the current control period. ○ Treatment given to these observations. ○ Follow up of observations from previous periods. ○ List of ineligible expenditure. 	<i>Provide a conclusion on whether the system in place can be considered as reliable, taking into consideration the control findings documented in detail in the control checklist. Describe the measures implemented to solve the errors detected and eventually provide recommendations to avoid the repetition of the same typology of anomalies in the future. Where applicable, confirm the fulfilment of recommendations from previous period(s). Finally, list costs considered as ineligible and provide reasons for non-eligibility.</i>

Place: _____ Date: _____
 Name of controller: _____
 Institution: _____

³⁸ Compulsory for partners following a decentralised control system (i.e., in addition to on-the-spot verifications of investments, checks of invoices and other accounting documents should take place at the premises of the partner as well). In duly justified cases, on-the-spot checks must not cover every progress report of the partner, however they have to take place when checking the first progress report and at least one time more during project implementation (in the middle or end of project duration depending on the activities of the partner). In case of centralised system, an on-the-spot check report using the national templates must be compiled and results should be communicated to the CENTRAL EUROPE Managing Authority.

Signature of the Controller:

Official stamp:

B) CONTROL CHECKLIST

CENTRAL EUROPE - Control checklist template³⁹

A) ACCOUNTING SYSTEM:

Control questions:	YES	NO	N/A
Are specific accounts kept for the project or have other methods like specific cost centres in the accounting system been established which allow the identification of costs allocated to the project?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can a computerised list of project expenditure be obtained from the accounting system?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can this list be reconciled with the supporting documents checked?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			

B) DOUBLE FUNDING:

Control questions:	YES	NO	N/A
Are there mechanisms in place to avoid double financing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
On the basis of it, can it be excluded that expenditure has already been supported by any other funding (EU, national, regional or other)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

C) ALLOCATION TO BUDGET LINES AND WORK PACKAGES

Control questions:	YES	NO	N/A
Have costs been correctly allocated to the relevant budget lines?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have costs been correctly allocated to the relevant work packages?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the Partner's budget by budget line and by work package as fixed in the partnership agreement been respected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			

³⁹ Compulsory for internal and external auditors directly selected by the partners (i.e., decentralised system). Controllers from Member States in which a centralised control system has been set can alternatively use ad-hoc checklists elaborated at national level if ensuring a comparable or higher level of control.

D) ELIGIBILITY OF COSTS FOR THE DIFFERENT BUDGET LINES

1. STAFF COSTS

Control questions:	YES	NO	N/A
Is there an available list of staff working in the project?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are employment contracts available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there service orders available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are payrolls available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For people working part-time, is there a method for calculating the daily/hourly cost available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is the result of the calculation correct?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is this calculation based on <u>real</u> worked hours?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are there monthly timesheets available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are they sufficiently detailed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are they signed both by the employee and the employer?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there proof of payment (including social charges) available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

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.

Is there proof of payment available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

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 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):			
INELIGIBLE AMOUNT, if any:			

4. TRAVEL AND ACCOMODATION

Control questions:	YES	NO	N/A
Are costs project related ⁴¹ ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there any authorisation of the mission available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If applicable, are there documents concerning travel and accommodation costs paid directly by the institution available ⁴² ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If paid directly by the person going on mission, is there a detailed, duly filled-in and signed reimbursement request form available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

⁴¹ Verify existence of invitation, agenda and or list of participants.

⁴² Plane tickets, boarding cards, train tickets, hotel invoice, etc.

If per diem, is it based on national/institutional rules?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If real costs, are all supporting documents available ⁴³ ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For any of the expenses, is there proof of payment available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If applicable, are travel and subsistence expenses for third country partners or participants related to events taking place in the EU territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

5. MEETINGS AND EVENTS

Control questions:	YES	NO	N/A
Are costs project related?	<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 (or, in general, of the activity carried out) ⁴⁴ ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the promotional material produced in the framework of the event respect the publicity requirements?	<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):			
INELIGIBLE AMOUNT, if any:			

⁴³ Meals, transportation, etc.

⁴⁴ Verify existence of agenda, list of participants, etc.

6. PROMOTION COSTS

Control questions:	YES	NO	N/A
Are costs project related?	<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"/>
According to this evidence, are publicity rules 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):			
INELIGIBLE AMOUNT, if any:			

7. EQUIPMENT

Control questions:	YES	NO	N/A
Is the equipment purchased stated in the Application Form?. Alternatively, has it been approved by the programme bodies prior to its purchase?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In case of second hand equipment, have all the requirements laid down in the CENTRAL EUROPE Control and Audit Guidelines been respected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there an inventory of the equipment purchased?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
On-the-spot, has the existence of the equipment been verified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has depreciation been applied?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If applied, has the depreciation for the related period been properly calculated?	<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 proof of payment available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

8. INVESTMENTS

8.1) Works

Control questions:	YES	NO	N/A
Is there a contract laying down the works 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"/>
Have the works been controlled on-the-spot?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
According to the evidence obtained, are publicity rules respected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have all necessary requirements in terms of respect of the environment been met? ⁴⁵	<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):			
INELIGIBLE AMOUNT, if any:			

8.2) Investment-related equipment

Control questions:	YES	NO	N/A
Is the equipment purchased stated in the Application Form?. Alternatively, has it been approved by the programme bodies prior to its purchase?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In case of second hand investment related equipment, have all the requirements laid down in the CENTRAL EUROPE Control and Audit Guidelines been respected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Is there an inventory of the equipment purchased?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
On-the-spot, has the existence of the equipment been verified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has depreciation been applied?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If applied, has the depreciation for the related period been properly calculated?	<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 proof of payment available?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

⁴⁵ For example: elaboration of an environmental impact assessment, delivery of a feasibility study, and existence of the necessary building permissions in accordance with the Directives presented under the heading "Specific eligibility requirements" of the investments budget line.

Results / Comments / Follow-Up (if any):	
INELIGIBLE AMOUNT, if any:	

9. OTHER COSTS

Control questions:	YES	NO	N/A
Are these costs mentioned in the approved application form?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are these costs supported by invoices or accounting documents of equivalent probative value?	<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):			
INELIGIBLE AMOUNT, if any:			

E) SPECIFIC CHECKS FOR PREPARATION COSTS

Control questions:	YES	NO	N/A
Is expenditure time-wise related to preparation costs (i.e., has it been incurred between 1 January 2007 and the date of submission of the approved application form?)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has the partner declared Preparation Costs in the approved Application Form?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Are the budget categories concerned the same as in WPO of the approved Application Form?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
For the budget categories involved, have the related requirements been respected (YES answer to questions in points related to budget lines 1 to 5)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have all preparation costs been paid before the end of the first reporting period?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

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):			

G) ADDITIONAL RESPECT OF COMMUNITY POLICIES⁴⁷

Control questions:	YES	NO	N/A
If foreseen in the Subsidy Contract, have contractual obligations related to the State Aid discipline been respected?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does the project comply with the EU objective of promotion of equality?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			

⁴⁶ In case of more than one contract to be checked for public procurement, please duplicate the table as many times as needed.

⁴⁷ For those policies not directly covered by eligibility checks of the different budget lines.

H) SHARED COSTS

Control questions:	YES	NO	N/A
Are costs declared in compliance with the procedure provided in chapter 5.3 of the CENTRAL EUROPE Implementation Manual and according to the conditions laid down in the Partnership Agreement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			

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):			
INELIGIBLE AMOUNT, if any:			

⁴⁸ With the exception of Preparation Costs and costs related to the negotiation of the conditions.

⁴⁹ According to the option selected by the partner among those presented in section 3.1 of the CENTRAL EUROPE Control and Audit Guidelines.

⁵⁰ As far as limits are concerned, negative answers to this question are acceptable during project implementation, but answer should be YES at the moment of project closure.

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):			
INELIGIBLE AMOUNT, if any:			

K) CHECKS TO BE PERFORMED AT LEAD PARTNER LEVEL⁵¹**K.1) PROJECT RELEVANCE OF PARTNERS' EXPENDITURE**

Control question:	YES	NO	N/A
Is all expenditure declared by the partners related to the activities foreseen in the approved Application Form?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

K.2) EXPENDITURE INCURRED OUTSIDE THE CENTRAL EUROPE AREA

Control questions:	YES	NO	N/A
If applicable, have the activities at the basis of the expenditure incurred outside the EU territory been mentioned in the approved application form?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Has all expenditure incurred outside the EU territory been budgeted, borne and paid by a CENTRAL EUROPE EU-partner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

⁵¹ Lead Partners can entrust either their financial managers or, if applicable, their own controllers the tasks required in order to perform the necessary controls deriving from Article 20.1.c) of the ERDF Regulation.

Does the ERDF related to expenditure incurred outside the EU territory remain within the 10% threshold of the overall ERDF contribution to the project ⁵² ? Please specify amount: €	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
In case of EU partners outside the CENTRAL EUROPE area, does the ERDF related to expenditure of these partners remain within the 20% threshold of the overall ERDF contribution to the project? ⁵³	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

K.3) FLEXIBILITY LIMITS

Control question:	YES	NO	N/A
Does the cumulative validated expenditure for all partners remain within the flexibility thresholds - partners budgets, budget lines and work packages - at project level fixed in the subsidy contract?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Results / Comments / Follow-Up (if any):			
INELIGIBLE AMOUNT, if any:			

⁵² Negative answers to this question are acceptable during project implementation, but answer should be YES at the moment of project closure.

⁵³ Not applicable to operations approved under the first call for proposals. Negative answers to this question are acceptable during project implementation, but answer should be YES at the moment of project closure.