



**GUIDE ON THE REVISION OF THE
CONTROL & AUDIT GUIDELINES
(Version 2)**

5th November 2010

Introductory note

- ✓ Changes on the CENTRAL EUROPE Control and Audit Guidelines occurred in order:
 - To adapt the Programme rules to the changed EU regulations;
 - To improve the rules on the basis of the experience in projects' implementation;
 - To rephrase some chapters in order to ensure a clear understanding of the rules.



Introductory note

- ✓ Changes occurred only in the body of the text, while the Annexes (FLC templates) remained unchanged.
- ✓ The present document intends to highlight the major changes occurred.
- ✓ A more comprehensive list of changes is provided in the annexed table (Annex 1).



3.1 General eligibility principles

Page 13: In-kind contributions and costs borne by public authorities (blue highlight)

- They are below 5% of the total partner's budget and do not exceed 5.000€⁷ per partner;
- The amount of ERDF co-financing does not exceed the total eligible expenditure excluding the value of such contributions.

In-kind contributions do not constitute a budget line within CENTRAL EUROPE; they refer to costs belonging to different budget lines in relation to the nature of the contribution as well as to the provisions set up at national level for their calculation.

- **Internal costs incurred by public authorities** for the implementation of projects (e.g.: staff costs and costs related to the provision of services relating to the preparation and implementation of a project) shall be eligible only if these costs do not arise from their statutory responsibilities or day-to-day management, monitoring and control tasks and if double-invoicing at the expense of public budgets can be ruled out.



3.2.3 External expertise

Page 17: Specification on the verification of costs of in-house companies (blue highlight)

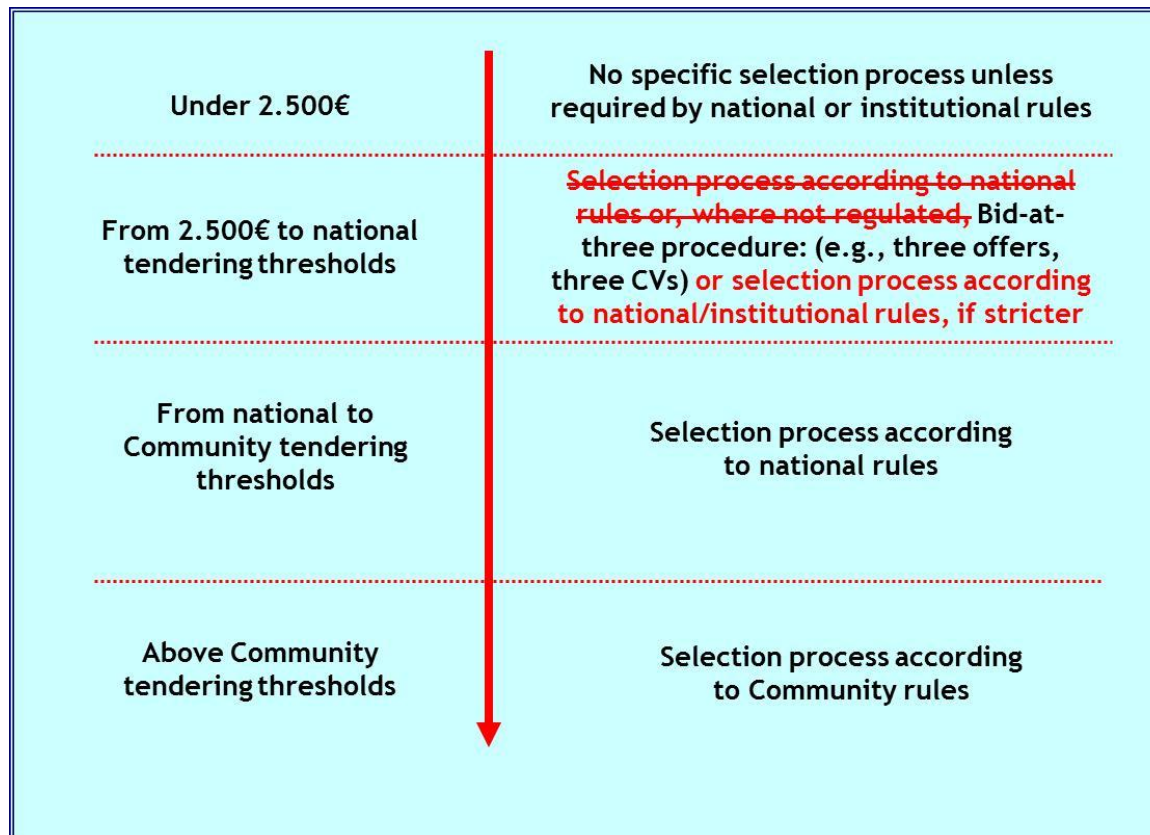
Reporting costs for external expertise

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 contracted¹⁵.
- 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.
- In case of subcontracting to in-house or other affiliated companies, the invoice must be accompanied by detailed reports or any other mean giving evidence that costs are charged on a real costs basis without any profit margin. Upon request, all documents supporting the project related expenditure incurred by in-house or other affiliated companies (e.g. payslips, timesheets, plane tickets, etc.) should be made available to the controllers.
- Deliverables.
- Proof of payment.

3.3.2 Public procurement

Page 26: Revision of the picture containing information on the application of public procurement thresholds.



3.4 Annuling of documents

Page 30: Addition of a new chapter on annulling of documents

3.4. ANNULING OF DOCUMENTS

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, in compliance of Article 54 of the General Regulation. Whereas analytical accounting systems help in this respect, more straightforward measures must also be foreseen, as for instance the annulling of original invoices and other probative documents.

Irrespective of the control system in place in the different Member States, the practice of annulling the originals of invoices and other probative documents is compulsory in the framework of the CENTRAL EUROPE programme. The annulling of the expenditure documents should be carried out by means of a stamp³⁵ bearing at least the following information:

- the information that the expenditure has been co-funded by the CENTRAL EUROPE programme;
- the number and the name (acronym) of the project;
- if applicable (e.g. same document covering different cost items), a statement on the share claimed as eligible.

In case that invoices (and/or other probative documents) are available only on electronic support (i.e. no original can be identified) the minimum information included in the stamp (as mentioned above) has to be incorporated in the subject and/or in the body of the electronic document.

³⁵ According to the different procedures for the validation of expenditure adopted in the different countries, the annulling of original documents has to be performed either by the partners or by the controllers. For more information, please refer to the national applicable rules/guidelines.



3.6 FLC checks on-the-spot

Page 31: Addition of a new chapter on FLC checks on-the-spot
(highlighted in blue)

3.6. FLC CHECKS ON-THE-SPOT

In addition to desk analyses of documents, the validation of expenditure is performed by the controllers also on-the-spot, at the premises of the controlled partners as well as in any other place where the project is being implemented. On-the-spot checks should be addressed to the verification of the existence of equipment and investments (as described in § 3.2.7 and § 3.2.8) as well as other accounting documents, and to the existence and effective functioning of an accounting system on the level of the controlled partner.

Within CENTRAL EUROPE, on-the-spot checks are performed by the controllers:

- **On a sample of partners** in countries applying a centralised control system. In this case the controllers shall describe and justify the sampling method, ensuring a proper size of the sample in order to achieve reasonable assurance on the legality and regularity of the expenditure.
- **On all partners** in countries applying a decentralised control system. On-the-spot checks do not have to 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).



Annex 1: Main revisions occurred in the C&AG Version 2.0

Page	Chapter	Description
5	1.2	Inclusion of the specification that the most stricter rule applies in case of discrepancies among the EU, National and Programme levels
7	1.3 B)	Better specification of the on-going controls performed by the MA/JTS on projects and FLC systems.
13	3.1	Specification on the calculation of in-kind contributions and on the eligibility of costs borne by public authorities participating in projects.
13	3.1	Addition of a footnote giving information on the application of exchange rates to the depreciation of goods
16	3.2.2	Specification on the application of public procurement as well as the availability of contracts for direct administration costs
17	3.2.3	Specification on the verification of costs occurred by in-house or other affiliated companies
18	3.2.3	Specification on the application of the budget flexibility to the "External Expertise" budget line
18	3.2.3	Addition of a footnote giving information on the eligibility of contractual advances for the budget lines "Meetings and events", "Promotion costs", "Equipment", "Investments" and "Other costs"
22	3.2.7	Specification on the application of the budget flexibility to the "Equipment" budget line
22	3.2.7	Revision of the requirement concerning the FLC verification on-the-spot of all equipment items.
26	3.3.2	Revision of the picture containing information on the application of EU, national Programme thresholds on public procurement.
29	3.3.4	Specification on the placing of explanatory plaques on physical objects
30	3.4	Addition of a new chapter concerning the annulling of documents, in substitution of the former chapter 3.3.7 "Other applicable rules"
31	3.6	Addition of a new chapter concerning on-the-spot checks performed by the FLC
32	3.7	Rewording of the chapter by deleting the sentence on the joint validation by the LPs' FLC and by including the specification on the checks to be performed by the LP
34-36	4.	Update of chapter 4 according to the current state of the art of audits.