



Interreg IPA CBC Italy–Albania–Montenegro Programme

PROGRAMME MANUAL

4.4 Financial management and FLC guidelines

Current version 01

Updated June 2018

Contacts js@italy-albania-montenegro.eu



Index

<i>Introduction</i>	3
1. NATIONAL CONTROL SYSTEMS.....	3
1.1. Types of national control systems.....	3
2. QUALIFICATION AND CAPACITY OF CONTROLLERS.....	4
2.1. Independence of controllers	5
2.2. Selection and approbation of controllers in decentralised systems	5
2.3. Information on controllers in eMS	5
3. ADMINISTRATIVE AND ON-THE-SPOT VERIFICATION OF EXPENDITURE.....	6
3.1. Control documents	6
3.2. On-the-spot verifications by the MA/JS	7
4. AUDITS PERFORMED BY AUDIT AUTHORITY AND GROUP OF AUDITORS	7
5. OTHER CONTROLS AND AUDITS	9
6. SETTING UP THE AUDIT TRAIL	9
6.1. Requirements of an adequate audit trail	9
6.2. Annulling of documents.....	10
7. GUIDELINES FOR FIRST LEVEL CONTROL	11
7.1 The Reporting System and Process	12
7.2 Review of the accounting system.....	12
7.3 Treatment of VAT as eligible expenditure.....	13
7.4 Overview of the European Union horizontal policies.....	13
8. FINDING AND REPORTING IRREGULARITIES.....	14

Introduction

This factsheet provides technical guidance to Partners on Financial Management and First Level Control guidelines.

1. NATIONAL CONTROL SYSTEMS

Member States participating in the Interreg IPA CBC Italy-Albania-Montenegro Programme have set in place national control systems. In compliance with Article 23(4) of the ETC Regulation designated bodies or authorised individuals are responsible for verifying expenditures of beneficiaries in their territories.

They have to verify at least that:

- Expenditure relates to the eligible period and has been paid;
- Expenditure relates to an approved project;
- Expenditure complies with programme conditions;
- Expenditure complies with applicable eligibility rules;
- Supporting documents are adequate and an adequate audit trail exists;
- In case of simplified cost options (flat rates and lump-sums): that conditions for payments have been fulfilled;
- Expenditure complies with State aid rules, sustainable development, equal opportunity and non-discrimination requirements;
- Where applicable, expenditure complies with Union, national and programme public procurement rules;
- Applicable rules on branding are respected;
- The project physically progresses;
- The delivery of products/services is in full compliance with the content of the subsidy contract, including the latest version of the approved application form (which is an integral part of the contract itself);
- An effectively functioning accounting system exists on the level of each beneficiary allowing a clear identification of all project-related expenditure.

Expenditure incurred and paid by beneficiaries can be claimed within the project only after it has been verified by their respective national controllers.

1.1. Types of national control systems

There are two types of national control systems in the Member States participating in the Interreg IPA CBC Italy-Albania-Montenegro Programme:

- **Centralised systems**, in which the Member State appoints one body to perform the verification of expenditure of all beneficiaries located in its territory. In these Member States, beneficiaries must submit their expenditure for verification to this body.

- **Decentralised systems**, in which each beneficiary is free to appoint its own controller, according to instructions/procedures set in place at national level. Controllers appointed by the beneficiaries can be either internal (functionally independent department inside the beneficiary organisation) or external (auditors belonging to independent institutions or selected on the market). Controllers chosen by the beneficiaries are subject to approbation by a body designated at national level for this purpose.

Controls performed on the expenditure submitted by beneficiaries can either be free of charge or charged to the beneficiary. In the latter case, costs of control are also eligible as project expenditure and can therefore be reimbursed if they have been both calculated and included in the project budget as well as claimed in the progress report.

The overview of the different control systems in the Member States participating in the Interreg IPA CBC Italy-Albania-Montenegro Programme is displayed in the following table.

STATE	TYPE	COSTS OF CONTROL
ITALY	DECENTRALIZED	Charged to beneficiaries
ALBANIA	CENTRALIZED	Free of charge for beneficiaries
MONTENEGRO	CENTRALIZED	Free of charge for beneficiaries

2. QUALIFICATION AND CAPACITY OF CONTROLLERS

The whole management and control system, and ultimately the sound implementation of the Interreg IPA CBC Italy-Albania-Montenegro Programme and its co-financed projects, strongly relies on the quality of the national control systems set in place.

Minimum qualification requirements of controllers are set at national level, however the following requirements should be held by a controller:

- Preferably degree in accounting, finance and relevant fields;
- Work experience in control and audit, preferably in controlling projects co-financed by EU Funds;
- Knowledge of relevant EU, programme and national rules;
- Command of English.

In addition, knowledge and skills of controllers should be regularly updated through targeted trainings. In this respect, at national level (national bodies responsible for control or the NIPs) regularly organise training and information events. Furthermore, the MA/JS periodically organise opportunities for exchanging knowledge and experiences among national control bodies.

While in centralised systems, the qualification of controllers is ensured directly by the Member States when designating the body in charge of national controls, in decentralised systems it is a responsibility of the beneficiary, within the selection procedure, to ensure that controllers respect programme and national requirements. If the performance of controllers in decentralised systems casts doubts on their professional standards, the MA reserves the right to require that the selected controller is replaced, in consultation with the national responsible body.

Irrespective to the type of control system, national controllers must have enough capacity for processing the expenditure submitted by the beneficiaries without delays. According to Article 23(4) of the ETC Regulation, the expenditure submitted to a national controller **must be verified within a period of three months** following the submission of the documents by the beneficiary. The designated controllers shall aim at submitting a signed certificate to the LP/PP within three months after the end of the reporting period.

A timely verification of expenditure by the controllers largely depends on the **completeness and accuracy of documents submitted by the beneficiary** which, in turn, must also be ready to respond quickly to requests for clarification that the controller may pose.

2.1. Independence of controllers

The controllers must be independent from the beneficiary. Whereas this requirement is met de facto in countries with a centralised system, beneficiaries located in countries with a decentralised system must bear in mind the following considerations:

- In case of internal controllers, the de facto independence of the organisational unit in which the controller is placed from the project activities and financial management must be ensured. This independence may not be easily given in small institutions and for such cases this option should be whenever possible avoided.
- The independence of external controllers may not always be given in cases in which tight commercial relations already exist between the partner institution and the selected controller.

Minimum requirements on independence are set at the national level in Member States with a decentralised control system.

2.2. Selection and approbation of controllers in decentralised systems

When a beneficiary from a Member State with a decentralised control system chooses its controller, the selection of the external body or person must respect procurement rules as described in factsheet 4.3 (except in the case that the controller is internal, as explained above).

The qualification and independence of controllers must be a key point of the selection process and compulsory requirements set at programme level as well as at national level must be fulfilled.

Furthermore, it is highly recommended to foresee contractual clauses, which:

- Define the liability of controllers linked to the quality of their performance (quality and accuracy of the control work but also timely delivery of outputs);
- Ensure the availability of selected controllers also in the project closure phase, i.e. after the project end and until the last instalment has been paid out following the project end.

2.3. Information on controllers in eMS

The controllers of the LP and each PP must be indicated in the section of the eMS, in which supplementary information has to be provided by the LP following the approval of the project.

During project implementation, the LP and, in a second stage, the programme bodies have to verify that all the certificates of expenditure have been issued by the authorised controllers.

3. ADMINISTRATIVE AND ON-THE-SPOT VERIFICATION OF EXPENDITURE

The verification of expenditure is performed by the independent national controller of each beneficiary (LP and PP) on incurred expenditure to be included in each progress report. This is done through administrative verifications (i.e. desk-based verifications) as well as on-the-spot verifications. Each progress report submitted to the MA/JS can contain only expenditure claims that have been verified by national controllers in accordance with national requirements and procedures set up by each Member State.

During **administrative verifications**, expenditure submitted by a beneficiary to its national controller shall be verified in its entirety.

On-the-spot checks have to cover verifications from financial, technical and physical aspects of the project, and are mandatory accordingly to a sampling methodology as specified in the relevant factsheet of the Programme Manual (see factsheet “Sampling for on-the-spot verifications”).

On-the-spot verifications are performed by the controller at the premises of the beneficiary as well as in any other place where the project is being implemented. On-the-spot verifications should check the existence of the project, especially with regard to cost items referring to the budget lines equipment and infrastructure/works as well as of accounting documents forming part of the audit trail. Furthermore, on-the-spot verifications should check the existence and effective functioning of an accounting system on the level of the controlled beneficiary.

3.1. Control documents

The documentation of the control work carried out by the controller is an essential element of the audit trail. It occurs through the filling-in and issuing of the following documents:

- **Control check list**, i.e. the document in which the controller gives evidence of the verifications performed (*Annex 1*).
- **Certificate of expenditure**, i.e. the document certifying the compliance of the expenditure verified by the controller with the principles of eligibility, legality and relevance as listed above in this chapter. The certificate of expenditure must be signed by the authorised controller (*Annex 2*).
- **Control report**, i.e. the document in which the controller describes the methodology used for the verifications, including an assurance that controls covered 100% of expenditure, explanation of the nature of the documents tested, of national and EU rules checked, etc. If applicable, the ineligible expenditure found during the verifications also needs to be described, including the reasons leading to this judgement (*Annex 3*).
- **Inherent risk check list**, i.e. assessment of the risk associated with this type of project or entity; the template is primarily for internal use of FLC; it can also be made available to JS/MA or authorised third parties (*Annex 4*).
- **Control risk check list**, i.e. assessment of the risk associated with the quality of internal controls of the beneficiary; to be filled in after control work for the first report is completed and updated after each subsequent control. It serves as a basis for controlling the subsequent report (*Annex 5*).

Templates of the above documents (**in English language only**) are developed by the Interreg IPA CBC Italy-Albania-Montenegro Programme and their use by the controllers is compulsory. The **above documents must be filled-in and issued by the controllers through eMS**. The national controller will then either confirm or reject (in part or in full) expenditure submitted by the beneficiary for verification. The amount verified and confirmed by the national controller will then be stated in the “certificate of expenditure” to be included by the LP in the joint progress report. For any detailed procedure on eMS, see Factsheet 3.2.

3.2. On-the-spot verifications by the MA/JS

These focus on the overall progress of the project, the results achieved, the existence of project outputs and the consistency with the approved project application. This is done at least once in the project life cycle for all projects (100%), addressed to the project lead partner, therefore at its premises or where the main outputs of the project may be verified, as well as at an advanced stage of project implementation, i.e. third or fourth project report for the first call for standard projects. This may be carried out together or separately with an on-the-spot verification by the national controllers.

Where specific deficiencies in project implementation arise, such as a substantial delay in project implementation or requests of major changes in the project, the MA-JS reserve the right to carry out additional on-the-spot verifications together with or in addition to national controllers.

During the lifecycle of the single funded project, the Managing Authority will carry out initiatives aimed at ensuring a satisfactory level of quality and effectiveness of FLC activities.

In particular, the MA will carry out:

1. Annual training sessions and technical workshops with FLCs, dealing with eligibility rules of expenditure, and aimed at disseminating best practices in the control procedures via eMS platform;
2. Elaboration and delivery to FLCs of an on-line test in order to test the degree of knowledge of the issues related to control activities. Each FLC, within the first reporting period, will have to make a test of 20 multiple-choice questions in 30 minutes. If the error rate exceeds over 30%, additional technical workshops will be organized in order to increase the average skills of the FLC.

4. AUDITS PERFORMED BY AUDIT AUTHORITY AND GROUP OF AUDITORS

The Audit Authority (AA) is the body that, in compliance with Article 127 of the Common Provisions Regulation is responsible for:

- Ensuring the effective functioning of the management and control system in the programme, by performing audits on the MA/JS as well as on the national control systems;
- Ensuring that audits are carried out on an appropriate sample of projects for the verification, according to internationally accepted audit standards, of expenditure claimed by the beneficiaries and certified by the CA to the EC.

In the framework of the Interreg IPA CBC Italy-Albania-Montenegro Programme, the AA is supported by the Group of Auditors (GoA) which, in compliance with Article 25(2) of the ETC Regulation, is composed of a representative from each Member State participating in the programme. The AA and GoA must be independent from other programme bodies (MC, MA, JS, national controllers) as well as from the projects co-financed by the programme.

The audit work is performed by the AA and the GoA on the basis of an audit strategy setting out the audit methodology, the sampling method for audits on projects and the planning of the audits. In the framework of the Interreg IPA CBC Italy-Albania-Montenegro Programme, the AA and the GoA entrusts the performance of audit work to an external audit firm. This firm carries out its work in accordance with the audit strategy set in place by the AA and GoA and under their supervision.

Audits on projects are performed during the entire programme lifetime. When a project is selected for an audit, the LP as well as one or more PPs are audited. The same beneficiary might be audited more times if the same project is selected more than once or if the beneficiary is involved in more than one project.

During the audit, the company in charge of carrying out the audits analyses a number of processes related to the implementation of the project, including the following:

- Existence of the project;
- Compliance with obligations set in the subsidy contract and partnership agreement;
- Eligibility of expenditure;
- Actual payment of expenditure;
- Compliance with EU and national rules (including public procurement);
- Existence and soundness of the audit trail;
- Review of the control work carried out by the national controller.

The audit is performed on-the-spot, at the premises of the audited body and/or in any other place where the project is being implemented and is complemented by desk verifications.

In case of detected non-compliances/infringements, audit findings are raised, clearly stating for each finding the reasons and providing requirements for clearance of the finding. All findings are presented to the audited body upon completion of the audit.

The outcomes of audits performed on the LP and PPs of a project are aggregated in a project specific audit report and submitted for comment and approval to the concerned national representatives in the GoA. Following the approval of the draft audit report by the concerned GoA members, the **draft audit report** is submitted to the LP and PP(s) as well as to their national controllers in order to undergo a contradictory procedure. Within the contradictory procedure the LP, PP(s) and controllers have the possibility to make comments on each finding. At the end of this procedure, the AA and GoA have to confirm or renounce the findings and following this the audit report becomes final and the audit follow-up process starts.

The **audit follow-up** is different in relation to the type of findings detected:

- In case of findings having financial consequences (i.e. in case of detecting irregular amounts), the amounts considered as not eligible will be withdrawn from the next payment claim submitted to the MA/JS or be recovered from the LP if the project is already

closed or if the amount claimed by the concerned beneficiary is lower than the irregular amount;

- Should the findings have no financial consequences, the affected beneficiary (and/or its controller if applicable) will have to document that recommendations set by the auditors have been followed up.

As a precautionary measure, and in compliance with provisions in the subsidy contract, the MA is entitled to withhold any IPA payment to projects undergoing an audit, until its conclusion. The MA/JS support the communication flows between all parties involved in the audit process, i.e. the AA, GoA members, audit company, LP, PPs and national controllers.

5. OTHER CONTROLS AND AUDITS

As provided for in the subsidy contract, and in addition to the programme bodies, the European Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors (ECA) and, within their responsibility, the auditing bodies of the Member States or other national public auditing bodies, are entitled to audit the proper use of funds by the beneficiaries.

The concerned beneficiaries are notified in due time about any audit to be carried out by authorised persons of such bodies. Beneficiaries undergoing an audit have to provide any project-related information to the above auditing bodies and give access to their business premises. Audits may occur at any time until the end date for the retention of documents.

6. SETTING UP THE AUDIT TRAIL

For the purposes of this document, an audit trail is to be understood as a chronological set of accounting records that provide documentary evidence of the sequence of steps undertaken by the beneficiaries and programme bodies for implementing an approved project.

According to this definition, the proper keeping of accounting records and supporting documents held by the beneficiary and its national controller plays a key role in ensuring an adequate audit trail.

6.1. Requirements of an adequate audit trail

At the level of each beneficiary, an adequate audit trail is composed of the following elements:

- The subsidy contract (and its amendments);
- The partnership agreement;
- The latest version of the approved application form;
- Adequate documentation of all outputs and deliverables produced during the project lifetime;
- Documents proving, for each cost item claimed within the project, the expenditure incurred and the payment made (invoices or other documents of equivalent probative value, extract from a reliable accounting system of the beneficiary, bank statements, etc.)

- Adequate documentation of all procurement procedures implemented for selecting experts, service providers and suppliers (from the planning of the procedure until the signature of the contract and its possible amendments);
- Any other supporting document applicable to each budget line (staff reports, timesheets, contracts with providers, etc.);
- Physical and financial reports submitted to the national controller with the purpose of validating project expenditure;
- Documents issued by the national controller validating all expenditure claimed within the project;
- A copy (as pdf) of all project progress reports and final report submitted and approved by the MA/JS.

In the project start-up phase it is essential for each beneficiary participating in a project to set up adequate arrangements that allow ensuring the availability of:

- A separate accounting system or an adequate accounting code set in place specifically for the project;
- A physical and/or electronic archive which allows storing data, records and documents concerning the physical and financial progress of the project - as listed above – until the end of the document retention period.

All documents composing the audit trail shall be kept either in the form of originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only. The certification of conformity of documents held on commonly accepted data carriers with original documents shall be performed in compliance with national rules on the matter.

In case of beneficiaries using e-archiving systems, where documents exist in electronic form only, the systems used shall meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes.

As good practice, e-archiving or image processing systems (original documents are scanned and stored in electronic form) should ensure that each e-document scanned is identical to the paper original and that the accounting and payment process for each e-document is unique (it should not be possible to account for or pay the same e-document twice).

6.2. Annulling of documents

One important element to be taken into account when setting up the audit trail is the need 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, as for instance the annulling of 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 Interreg IPA CBC Italy-Albania-Montenegro Programme.

Where available, the annulling of originals of expenditure documents should be carried out by means of a stamp bearing at least the following information:

- The information that the expenditure has been co-funded by the Interreg IPA CBC Italy-Albania-Montenegro Programme;
- The number and the name (acronym) of the project;
- The amount ascribed to the project;
- The reporting date.

If invoices (and/or other probative documents) are available only on electronic support (i.e. no original can be identified) the minimum information listed above has to be incorporated in the subject and/or in the body of the electronic document.

6.3. Retention of documents

All supporting documents composing the audit trail must remain available at the premises of each beneficiary at least for a period of three years. This period starts from 31 December following the submission of the payment claim to the EC by the MA that contains the last expenditure of the project following its completion. Furthermore, documents referring to project activities and expenditure carried out in the framework of aid granted under the de minimis rule must be retained for a period of 10 fiscal years from the date on which the aid was granted (date of signature of the subsidy contract).

At the closure of projects, the MA/JS will individually inform each LP and on the exact start date of the abovementioned retention periods. Other possibly longer document retention periods, according to the applicable national and internal rules, remain unaffected.

For the entire retention period, all bodies entitled to perform controls and audits are entitled to access the project and all relevant documentation and accounts of the project.

7. GUIDELINES FOR FIRST LEVEL CONTROL

Verifications shall cover administrative, financial, technical and physical aspects of projects. Verification process shall ensure that the expenditure declared is real, that the products and services have been delivered and that the operations and expenditures comply with relevant EU, Programme and National Rules.

Each phase of this flow is conveyed through the eMS Platform. Each First Level Controller has its own profile to access to the eMS and review all documents attached from Beneficiaries.

All originals of primary accounting documents (invoices, pay slips, travel bills payment orders etc.) proving the expenditure made and the tender documentation, contracts, lists of participants, reports, materials produced under the project, etc. must be present on the eMS and at the beneficiary premises, and the Controller must check them, either in scanned copies or in original, depending on the type of the check performed (desk-based, or on-the-spot).

7.1 The Reporting System and Process

The main methods of FLC are:

- 100% administrative verifications (desk - based check)
- On-the-spot checks, on the basis of a sample drawn on information derived from specific variables or risk factors.

Administrative check:

Administrative check is performed by the Controller at his/her own premises. In this case LP/PP submits the documentation of the expenditure for verification to the Controller through eMS platform. FLC must verify 100% of the expenditure declared by the LP/PP, covering all the items mentioned in the relevant **check list (Annex 12)**.

On-the-spot checks:

FLC must verify all the items mentioned in the relevant **check list (Annex 1 – section “On the spot visit”)**, within the deadlines set by the MA with a specific notice sent to the sample of selected beneficiaries and their respective controllers and for knowledge of lead partners.

7.2 Review of the accounting system

For the purposes of the first level control based on strict adherence to the principle of sound financial management as per Art.53 of the No 966/2012 of the European Parliament and the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002) as well as to the specific rules of the Interreg IPA CBC Programmes, the beneficiaries should maintain a computerised accounting system where to keep separate accounting on project level for the analytical project expenditure.

The first level control on the accounting system begins with documentary administrative checks followed by the on-the-spot checks (planned or ad-hoc) conducted by the controller.

While performing on the spot checks, the Controller should verify:

- the provided by the PPs print-out of the accounting system for the respective period subject to the particular control check together with the supporting documents; the print-out set of documents should contain the analytical accounting for each type of expenditure, generated within the reporting period; the controller makes cross-check of each accounting record with the respective supporting accounting documents, the invoice report and the bank account statements as well;
- the submitted of the PPs print-outs/copies of records/registers required under the respective national law (e.g. cash books, VAT journals, etc.) and their correctness, completeness regarding the expenditures generated and recorded in the list of expenses;
- evidence of the accounting system (either separate accounting system or adequate accounting code/cost centre) for all project-related transactions;
- completeness of accounting systems, selecting at least one invoice per reported budget line expenditures and check if it is included in the analytical accounting system of the beneficiary and whether or not the same invoice appears in more than one cost centre.

7.3 Treatment of VAT as eligible expenditure

The first level controllers should make in-depth check of the expenditure declared by the PPs on Value Added Tax (VAT), in respect of its eligibility on separate expenditure basis following the national legislation. The documentary administrative check and on-the-spot check should be focused on:

- whether the tax cannot be recovered in any way;
- evidence that the payment is borne by the PP organisation;

The Controller checks the following documents (non-exhaustive list):

- VAT status of the PP;
- correspondence between the items with non-recoverable VAT and payment documents;
- as part of the check of the accounting system – availability of VAT records, as appropriate;
- evidence of VAT recovered, if applicable;
- VAT exemption documents, where applicable.

7.4 Overview of the European Union horizontal policies

Information and publicity

During the implementation of the project, the beneficiary should provide publicity on the implemented projects by conducting communication and promotional activities (publicity campaigns, events, promotional and informational materials, electronic media, etc.) as per approved application form (incl. budget limits). The controller checks the proofs provided by the beneficiary for the undertaken information and publicity measures (e.g. photos of billboards, promotional brochures, project homepages, visualisation of the project documents (when applicable), outputs etc.).

While executing its check, the controller should verify whether the information and publicity actions taken are in accordance with the rules of the programme, the approved application form, the approved progress reports and those regarding information and publicity requirements expected by the European Commission in terms of transparency, clear management and publicity as per annex XII of Regulation (EU) No 1303/2013 of the European Parliament and of the Council – the Common Provisions Regulation.

Horizontal issues

In performing his functions, the Controller is relied on his professional assessment based on the information submitted by the PPs for respecting the following issues:

1. Promotion of equality between men and women and non - discrimination (Art. 7 of the CPR):
 - During the verification, the Controller should check whether the PP did not commit any discrimination based on gender or other social attribute in the implementation of project activities.

- The check covers also an assessment whether each potential participant/sub-contractor, etc. had equal opportunities to participate in the project or was affected by the impact of actions (e.g. during project activities, the controller could verify whether the number of the women and men are approximately equal, how different religions are represented in the events, etc.).
 - In general, in fulfilling his obligations, the Controller checks and verifies cumulatively:
 - Information and Publicity - equal opportunities for access to information for the general public regarding the execution of activities according to the European guidelines on visibility and publicity and those of the Programme;
 - Trainings, seminars, conferences and other events – that participants are not selected on the basis of any discriminatory features (race, sex, religion, etc.), unless the activities are not aimed at a specific target group.
 - The procedures for sub-contracting:
 - technical specifications (requirements are not restrictive in terms of defining characteristics, scope and volume of needed products and services);
 - tenders are not prepared in a manner that limits the participation of a specific participant (e.g. indicating the brand and model);
 - equal information is provided to all tenderers, etc
2. Sustainable Development (Art. 8 of the CPR):
- During the verification process, the Controller assesses the overall PPs balanced use of resources, the appropriate choice of logistics and raising public awareness on sustainable development issues (e.g. by inserting messages on printed materials or in the e-mails).

8. FINDING AND REPORTING IRREGULARITIES

Irregularity¹ (any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure) and **Fraud** (any intentional act or omission relating to: 1) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of the European Communities; 2) non-disclosure of information in violation of a specific obligation, with the same effect; 3) the misapplication of such funds for purposes other than those for which they were originally granted) could be found by the FLC in the course of desk based checks as well as while executing on-the-spot checks.

While checking the documents, the financial, administrative, technical and physical aspects of the operations the Controllers could assess the presence of the following possible irregularity cases or fraud indicators (non-exhaustive list):

¹ Article 1(2) of Regulation (EC) No 2988/95

1. The information presented in the request for FLC does not correspond to attached evidence.
2. Data suggesting discrepancies about the authenticity of submitted invoices, attendance lists, etc.
3. Evidence of disproportion between the amount paid and products delivered.
4. Contracts do not comply with the specificities of the activities and/or do not correspond with the general and specific objectives of the project.
5. Suspected double financing - duplicate financial records; repetitive content of products, present in various project activities, etc.
6. Presence of more than one original document with different content or suspicious of replacement of the evidentiary material in the reporting of project activities - presented several different content contracts, lists or other proofs;
7. Lack of original documents at the responsible partner;
8. Documents not complying with the relevant legislation, or failure to comply with ones requisites;
9. Lack of accounting records;
10. Partial booking;
11. Lack of separate analytical accounting;
12. Discrepancy between the value of invoices and accounting;
13. Differences between requested funds and the approved budget;
14. Weak or un-enforced controls in the receipt of goods and payment of invoices;
15. Inadequate, copied or apparently altered supporting documents;
16. Incorrect choice of a procedure in accordance to Public Procurement Programme rules;
17. Beneficiaries invite companies/organizations whose registered line of business is not one required for the tender, thus violating the principle of competitiveness;
18. Failure to comply with the horizontal principles;
19. Conflict of interests in compliance with the definitions set out in Public Procurement Programme rules;
20. Discriminatory conditions in the prepared tender documentation;
21. Violation in the evaluation process;
22. Amendment of requirements first set in tender documents during the contracting phase;
23. Winning offer is too high compared to cost estimates, published price lists, similar or industry averages; persistent high prices over time;
24. Rotation of winning offers by type of economic activities or geographical area;
25. The information is incomplete, identical or similar with other bid;
26. Apparent connections between tenderers: common addresses, personnel, phone numbers, etc.;
27. Failure to meet contract specifications;

28. Discrepancies between actual deliveries, inspection results and contract claims and specifications;
29. Low quality, poor performance and high volume of complaints;
30. Indications from the contractor's expense records that the contractor did not e.g. purchase materials necessary for the works, does not own or did not lease equipment necessary for the work or did not have the necessary labor on the site.
31. Poor control and inadequate tender procedures;
32. Acceptance of late offers;
33. A qualified tenderer, excluded from a public procurement for questionable reasons.
34. Two or more similar procurements from same supplier in amounts just under competitive threshold or upper level review limits;
35. Unjustified separation of purchases, e.g. separate contracts, each of which is below competitive threshold limits, but when their value is combined, it comes over such limits;
36. Sequential purchase orders or invoices under upper level review or competitive threshold limits;
37. Contracts under the competitive bid limit, followed by change orders that increase amounts of the contract, Incorrect choice of a procedure in accordance to Public Procurement Programme rules;
38. A significant number of qualified bidders fail to bid;
39. Unreasonably narrow contract specifications;
40. Allowing an unreasonably short time limit to bid;
41. The failure to adequately publicize requests for offers, concerning the respective tender procedure.
42. Violations of tax legislation
43. Contracts with suppliers of goods and services, which agreed price including VAT and in invoices issued by contractors that tax is not charged.
44. Not respected requirements for publicity and visualization;
45. Indications of change in the circumstances declared by the beneficiary regarding the presence/lack of an economic nature of the activities.

In case a suspicion for irregularity arises, the expenditures concerned have to be excluded from the Certificate for verified amount issued by FLC. All the suspicions are to be written down in detail in the relevant check-lists filled in by the controllers along with an exact indication of the related national or EU rules which have been infringed.