

**GUIDELINES**  
**FOR FIRST LEVEL CONTROL ON INTERREG-IPA**  
**BULGARIA – SERBIA, BULGARIA – TURKEY AND BULGARIA –**  
**REPUBLIC OF NORTH MACEDONIA CBC PROGRAMMES**

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**CONTENTS**

**1. PURPOSE OF GUIDELINES FOR FIRST LEVEL CONTROL**

**2. LEGAL BASIS**

**3. SCOPE OF FIRST LEVEL CONTROL CHECK**

**4. EXPENDITURES ELIGIBILITY CRITERIA**

**5. VERIFICATION METHODS**

**6. SPECIFIC TASKS OF THE CONTROLLER**

**7. IRREGULARITIES**

**8. CHECK OF EXPENDITURE UNDER TECHNICAL ASSISTANCE PRIORITY AXIS**

**9. DOCUMENTING FIRST LEVEL CONTROL WORK PROCESS**

**10. MODIFICATION OF THE GUIDELINES**

**Annexes:**

Annex 1	Certificate for validation of expenditures and Checklists
Annex 2	Checklists for conducted public procurement procedures
Annex 3	Irregularity Notification Form
Annex 5.3	Quality control on the FLC
(from INTERREG-IPA PROGRAMMES MANUAL)	
Annex 5.7	On-the-spot check list
(from INTERREG-IPA PROGRAMMES MANUAL)	

**List of abbreviations used:**

<b>AA</b>	Audit Authority
<b>BG-RS</b>	Bulgaria - Serbia
<b>BG-TR</b>	Bulgaria – Turkey
<b>BP</b>	Beneficiaries portal
<b>CA</b>	Certifying Authority
<b>CBC</b>	Cross-border Cooperation
<b>CfP</b>	Call for Proposals
<b>D TCM</b>	Directorate “Territorial Cooperation Management”, Bulgaria (Managing Authority)
<b>CVE</b>	Certificate for validation of expenditures
<b>EU</b>	European Union
<b>FA</b>	Financing Agreement
<b>FLC</b>	First Level Control
<b>GfA</b>	Guidelines for Applicants
<b>IPA</b>	Instrument for Pre-accession Assistance
<b>JMC</b>	Joint Monitoring Committee
<b>JS</b>	Joint Secretariat
<b>MA</b>	Managing Authority
<b>MRDPW</b>	Ministry of Regional Development and Public Works
<b>MoU</b>	Memorandum of Understanding
<b>NA</b>	National Authority
<b>PIM</b>	Project Implementation Manual
<b>TA</b>	Technical Assistance

**Glossary of Terms:**

<b>Managing Authority [MA]</b>	The institution (Ministry, division within the Ministry, independent structure) in a EU Member State, which is responsible for the overall management of the IPA Cross-border Cooperation Programmes with shared management
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<b>National Authority [NA]</b>	The institution responsible for the coordination of the programme management in the partner (non-EU member) state and for setting up the control system in order to validate the expenditures at national level and ensuring co-financing
<b>Joint Secretariat [JS]</b>	A structure assisting the Managing Authority, National Authority, the Joint Monitoring Committee, and, when necessary, the Audit Authority and the Certifying Authority related to the discharge of their duties regarding the implementation of the Programme. The JS is in charge with the day-to-day implementation of the Programme and acts as a liaison between the authorities managing and implementing the programme and the beneficiaries. The headquarter of the JS for the respective Interreg - IPA CBC Programme is located in the relevant EU Member State, while branch office is established on the partner country territory across the respective CBC region.
<b>First Level Controller [FLC-er]</b>	Officially nominated person, who is responsible for verifying the legality and regularity of the expenditure declared by each project partner participating in approved IPA CBC project
<b>Certificate for Validation of Expenditures [CVE]</b>	The central output of the controller's work. It validates the overall correctness of the use of all project's funds spent by the project partners. The CVE must be free from any conditions or added notes that limit the validity, strength or scope of the controller's declaration. Integral parts of the CVE are the checklist for First Level Control and if applicable checklists for conducted public procurement procedures. By signing the CVE, the Controller is verifying the expenditures requested for reimbursement and declares the proper use of funds.

## 1. PURPOSE OF GUIDELINES FOR FIRST LEVEL CONTROL

The purpose of the present document is to provide detailed guidance to the First Level Controllers (FLC Unit officers), involved in the verification of expenditure declared by Beneficiaries of the projects as well as of the Technical Assistance funds, allocated within Interreg – IPA CBC Programmes Bulgaria – Serbia, Bulgaria – Turkey and Bulgaria – Republic of North Macedonia.

These **Guidelines** are developed at programme level in order to ensure the common understanding of the rules and the requirements for First level control. Common methodological approach is provided to perform the verification of expenditure of the Project Partners in a harmonized way in each participating country.

Guidelines are intended to support and facilitate the work of the FL Controllers and are based on the general rules of eligibility of expenditure, set in the programming documents and guidelines for applicants under the Interreg – IPA CBC Programmes.

The FLC Guidelines represent a selection of the control related issues laid down in different programme level documents and legislation listed under Chapter 2 - Legal basis. Besides these minimum requirements further programme level rules connected to control activities have been specified in order to implement the programme along a single set of rules. The templates to be used by the Controllers are attached to the present Guidelines.

This document was approved by the programme implementing bodies with national level

responsibilities, that is, the Managing Authority in Bulgaria (Ministry of Regional Development and Public Works) and the National Authorities in the Republic of North Macedonia (Ministry of Local Self-Government), Serbia (Ministry of European Integration) and Turkey (The Directorate for EU Affairs within the Ministry for Foreign Affairs).

## **2. LEGAL BASIS**

### **2.1. EU Regulations:**

Expenditure declared under the Interreg – IPA CBC Programmes has to be in line with the EU regulations and the relevant national rules and legislation. The most important EU regulations relevant for the eligibility of expenditure for the Programmes under the Instrument for Pre-Accession Assistance (IPA), are as follows:

- Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II) Corrigendum, OJ L 277, 22.10.2015, p. 60 (447/2014)
- Regulation (EU) № 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal;
- Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes;
- Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action;
- Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OMNIBUS)
- Specific rules approved by the Joint Monitoring Committee.

### **2.2 Programme level documents:**

Without prejudice to the eligibility rules laid down in EU regulations, the participating countries established an additional rules on eligibility of expenditure for the three Interreg – IPA CBC

Programmes. The JMC is responsible for approving Programme rules on eligibility of expenditures. Programme rules on eligibility are set in the following basic documents:

- Interreg - – IPA CBC Bulgaria – Serbia Programme, approved on 30th July 2015 by the European Commission with CCI No 2014TC16I5CB007;
- Interreg – IPA CBC Bulgaria-Turkey Programme, approved on 22nd July 2015 by the European Commission with Programme reference number CCI 2014TC16I5CB005;
- Interreg – IPA CBC Bulgaria- Republic of North Macedonia Programme, approved on 5th August 2015 by the European Commission with Programme reference number CCI 2014TC16I5CB006;
- Respective Guidelines for Applicants, Questions and Answers on eligibility of expenditure;
- Project Implementation Manual, available at programmes' websites;
- Present FLC Guidelines, available at programmes' websites;
- Practical Guide on contract procedures for European Union external action (PRAG) – current version available at <http://ec.europa.eu/europeaid/prag/document.do>;
- Communications and Visibility Manual for EU External Actions, available at [https://ec.europa.eu/europeaid/communication-and-visibility-manual-eu-external-actions\\_en](https://ec.europa.eu/europeaid/communication-and-visibility-manual-eu-external-actions_en).

### **2.3 National legislation and rules:**

For matters not covered by eligibility rules laid down in, or on the basis of EU or Programme rules, the national rules of the Participating Country in which the expenditure is incurred shall apply. Other relevant national (including institutional) legal acts are as follows:

#### **2.3.1. Republic of Bulgaria**

- Management of European structural funds and investment funds Act;
- Accountancy Act;
- VAT Act and Rules for its implementation;
- Spatial development act;
- Social Security Act;
- Civil servant Act;
- Labour Code;
- Etc.

#### **2.3.2. Republic of Serbia**

- Law on ratification of the Framework Agreement between the Government of Serbia and the European Commission on the rules for cooperation related to the financial support under IPA, ratified 26.12.2007 (State Gazette 124/07);

- Memorandum of Understanding signed between Republic of Bulgaria and Republic of Serbia;
- Law on VAT;
- Rules for VAT Exemption;
- Labour Law;
- Law on Contracts and Obligations;
- Law on State Servants;
- Ordinance of the Government of Serbia on reimbursement of costs for civil servants and appointees (regulating method for calculation and payment of per diems for in-country and abroad travel);
- Ordinance of the Government of Serbia for Nomination of the National Authority
- Financing Agreements between Republic of Serbia and the European Commission signed on 27.03.2009 and 04.10.2011.

### **2.3.3. Republic of Turkey**

- Framework Agreement between Turkey and the Commission of the European Communities on 11.02.2015;
- Financing Agreement signed between Turkey and the European Commission;
- Prime Ministry Circular No. 2015/15 TR;
- Memorandum of Implementation signed between Republic of Bulgaria and Republic of Turkey on 28 March 2016;
- Law on VAT;
- Labour Law, Civil Servants Law, Higher Education Law;
- Social Security Law;
- Turkish Law of Obligations.

### **2.3.4. Republic of North Macedonia**

- Law on ratification of the Framework Agreement between Republic of North Macedonia and the European Commission on the arrangements for implementation of Union financial assistance to the Republic of North Macedonia under IPA II;
- Memorandum of Understanding between the Ministry of Local Self-Government and Ministry for Regional Development and Public Works;
- Law on VAT;
- Law on Trade Enterprises;
- Rulebook on the Implementation of the Value Added Tax (VAT Rulebook);
- Profit Tax Law of the Republic of North Macedonia;
- Law for Accountancy for Budgets and Budget Beneficiaries;
- Law on Accounting Records of the Non-profit Organizations;
- Financing Agreement between the Delegation of the European Union to the Republic of North Macedonia and the Government of Republic of North Macedonia;
- Law on Public Administrations;
- Law on State Servants;
- Labor Relations Act;
- Law on Trade Enterprises.

In case of conflict between the above programmes' rules and the national legislation, the superior hierarchically legal act shall be applied.

### **3. SCOPE OF FIRST LEVEL CONTROL CHECK**

The main objective of the First Level Control is to verify the expenditures reported by the LP / PP through validation of the delivery of the products, services and works as described in the approved Application Form and/or the project subsidy contract. All expenditures of the programme level are subject to FLC. First level controllers shall verify and certify that all expenditures comply with EU, programme and national legislation. The FLC report shall specify the expenditures found ineligible, the kind of controls carried out and any follow-up. The FLC verifications are done for expenditure declared by each partner. For each reporting period the partner has to compile the report on its expenditure and send it with the necessary documentation to the MA. The FLC appointed in accordance with the rules applicable in the respective country should check every item of expenditure entered in the project accounts, the supporting documents (such as contracts, invoices, pay slips, etc.) and the costs per budget lines.

The MA/NA does not assign First Level Controller for the project partners whose expenditures for the reporting period are below 2500 euro. The respective expenditures will be declared in a subsequent Request for FLC, which complies with this requirement for minimum spending requested for verification as well as provisions of the Subsidy contract, including the fixed term of 10 days for submitting the IR after each reporting period. The IR will also be rejected if attached documentation is not properly sorted by type and relevance in the corresponding BP sections and submitted according to the "Annex 15 User manual-BP", part of Project Implementation Manual. Different documents have to be scanned separately and organised in thematic folders. E.g, in the procurement section - tender dossier, offers, evaluation, contract, ext. In the invoice section - invoice, accounting, payment, proofs.

#### **3.1. Description of the role and tasks of the first level controller:**

The main aim of the controls is to guarantee to the MA and the project itself that costs co-financed under the programme are accounted for and claimed in accordance with the legal and financial provisions of the EU regulations, Subsidy Contract, the approved application form, the Project Implementation Manual and national rules.

The main tasks of each first level Controller are:

- to verify the legitimacy and regularity of the expenditure declared by the Beneficiaries as well as their compliance with the Community and national rules;
- to verify the delivery of the products and services;
- to issue the Certificate for Validation of Expenditure (CVE) concerning the results of verification made on all reported expenditures;
- to store (electronically and in hardcopy) the records on the verifications (certificate for validation of expenditures and checklists, stating the work performed, the date and results and the measures taken in case of irregularities detected).



Verifications are to be carried out at national level and 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 Community and national rules.

Each phase of this flow is conveyed through the Programme Management and Information System (MIS / BP). Each First Level Controller has its own profile to access to the MIS / BP and review all documents attached of all the 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 at the beneficiary premises and the Controller must check them, either in original, or in scanned copies, depending on the type of the check performed (desk-based, or on-the-spot). The CVE and checklists, the Invoice report, financial report and list of contracts shall be present at the Beneficiary portal. If the beneficiary requests for First Level Control on a hard copy accompanied by copies of the documents, the controller has to assure that all supporting documents are stamped with “true copy of the original” and those shall be stored, too. Either way, all primary and supporting documents shall be retained for at least 5 (five) years after the date of the notification by the Managing Authority (MA) for verified amounts under the request for final payment under the respective project.

## **4. EXPENDITURES ELIGIBILITY CRITERIA**

### **4.1 General eligibility criteria to be observed**

Expenditures are generally eligible for Community funding if they fulfill each of the following criteria:

- they have been actually incurred and paid by the LP or the PPs, and they can be verified on the basis of original invoices or other accounting documents of equivalent probative value, except for costs based on flat rates;
- they are directly related to the project, necessary for the development, preparation, start, and/or implementation of the project, and they are planned in the approved project budget;
- they have been incurred within the eligibility period of the project;
- they comply with the principles of sound financial management, in particular efficiency, economy and effectiveness;
- they are compliant with the EU legislation, Programme rules, national legislation, as well as the relevant rules for public procurement, if applicable;
- they are declared under the relevant budget line;
- they are not subject to financing from any other public funds;
- they are recorded in a separate accounting system or under adequate accounting code relating to the project;
- the EU requirements regarding information and publicity have been respected;
- they are not affected by irregularity or any suspected irregularity or fraud.

**IMPORTANT NOTE:** Expenditures must be incurred during the reporting period and are paid before their validation by the controller. In any case the clauses from the subsidy contract shall be fulfilled. Exception is made for project preparation expenditures, which should be carried out before or on the date of submission of the project proposals at the latest and should be requested for reimbursement and verified only in the first reporting period of the respective project partner.

## **4.2. Specific eligibility criteria**

### **4.2.1. Eligibility in time**

In accordance with Article 43 (1) of the Implementing Regulation (EU) No 447/2014 the starting date for the eligibility of expenditures at programme level for the Bulgarian partners is the starting date of the programme period, namely 1 January 2014. For the partners from Republic of Turkey, Republic of Serbia and Republic of North Macedonia the starting date for the eligibility of expenditure is the date after the date of submission of the Programme to EC (22 September 2014). The final date for eligibility of expenditures at programme level is 31 December 2023.

The period for eligibility of expenditures at project level is specified in the respective subsidy contract.

Controllers must verify the eligibility of expenditure in time by taking into account the following:

- All expenditure must be incurred between the project start date (except for the project preparation costs) and the end date of the respective reporting period. All expenditures must be paid by the respective project partner.
- The project preparation costs shall be reported in the first reporting period for the respective partner and their eligibility in time is specified in the respective CfP documents.

In case of final payment, the expenditures are eligible if they are carried out during the respective period and are paid in accordance with the provisions of the subsidy contract.

### **4.2.2. Eligible area:**

As a rule, eligible expenditure must be incurred in the eligible area defined by the programme and, if applicable, outside the eligible area according to the provisions of the respective programme and CfA.

### **4.2.3. Ineligible expenditure:**

Ineligible expenditures are listed in Article 43(2) of Commission implementing regulation (EU) No 447/2014 of 2 May 2014.

Furthermore the expenditures concerning the actions listed as ineligible in the respective GfA for each particular Call for proposals **shall not be eligible**.

### **4.2.4. Relevance of expenditure by budget lines:**

Project expenditure is eligible under the budget headings, which correspond to the budget lines (sub-lines) from the respective **GfA, approved by JMC for each particular Call**.

When the controllers verify the expenditure, they must assure its correct allocation, complied with the approved budget in the application form, part of the subsidy contract.

The following **budget lines** are currently set:

### **BL1 – STAFF COSTS**

The BL covers expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the project.

There are two options available for staff costs. The controller shall proceed with verifying them, according to the chosen method for reporting, defined in the particular GfA and the approved application form and budget.

#### Option 1 - Flat rate

Staff costs shall be reimbursed by the Managing authority to the beneficiaries as a flat rate in accordance with approved application form and budget. The controller should check and verify the calculated amount by the project partner for staff costs in compliance with the rules in respective GfA and reported expenditures for other categories of expenditures. The check is to be done on a simple *calculation method*:

*Staff costs = n% \* eligible direct costs other than staff costs (where “n” is the percentage calculated in the approved AF)*

By applying the flat rate option, partners do not need to report that the expenditure has been incurred and paid.

The appointment of the staff by the beneficiaries has to be made in accordance with European and national legislation.

#### Option 2 - Real costs

Covers real costs paid out based on a payslip or a document of equivalent probative value. Data from the organisation’s accounting system may be accepted, in line with the controllers’ professional judgement regarding reliability of the system. The following costs are eligible components of staff costs:

- a. Salary payments fixed in the employment/work contract, an appointment decision (in the case of natural persons working for the partner organisation under a contract other than an employment/work contract), or by law.
- b. Any other costs directly linked to the salary payments, incurred and paid by the employer, such as employment taxes and social security including pensions as long as they are fixed in the employment document and they are in accordance with the legislation and standard practices in the country and/or organisation.
  - The salary payments must relate to responsibilities specified in a job description of the individual staff member.
  - Costs of social security including pensions are only eligible, if they are not recoverable by the employer.

- Taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the partner organisation, e.g. lunch vouchers, bonus payments, relocation benefits.
- Holidays as resulting from normal employer's obligations are eligible. The cost forms part of the gross employment cost.
- Overtime is eligible, provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member.
- Staff costs must be calculated individually for each staff member.

Calculation of staff costs and audit trail Depending on the assignment (full-time, part-time, contracted on an hourly basis) to work on the project, staff costs of each individual are calculated as follows:

- Full-time. An individual dedicates 100% of his/her working time to the project.

*Calculation method:*

*Staff costs = total of the gross employment cost.*

- Part-time assignment with a fixed percentage of time worked on the project per month An individual dedicates a fixed percentage of his/her working time to the project.

*Calculation method:*

*Staff costs = fixed percentage of the gross employment cost*

- Part-time assignment with a flexible number of hours worked on the project per month An individual dedicates a flexible share of his/her working time to the project.

*Calculation method:*

*Staff costs = part of the gross employment cost depending on the number of hours actually worked on the project*

- Contracted on an hourly basis An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project.

*Calculation method:*

*Staff costs = part of the gross employment cost depending on the number of hours worked on the project The staff costs are calculated on the basis of an hourly rate fixed in the employment document: Hourly rate = fixed in the employment document Staff costs = hourly rate \* number of hours worked on the project.*

*Documents proving expenditure:*

- Employment/work contract or an appointment decision/contract considered as an employment document.
- Job description providing information on responsibilities related to the project.
- Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project.

*Documents proving payment:*

- Payslips or other documents of equivalent probative value.
- Proof of payment of salaries and the employer's contribution.

## **BL2 – OFFICE AND ADMINISTRATIVE COSTS**

Expenditure on office and administration costs cover operating and administrative expenses of the partner organisation that support delivery of project activities.

There are two options available for reimbursement of office and administrative costs. The controller shall proceed with verifying them, according to the chosen method for reporting, defined in the particular GfA and the approved application form and budget.

#### Option 1 - Flat rate

Office and administrative costs shall be reimbursed by the Managing authority to the beneficiaries as a flat rate of maximum 15 % of staff costs. The controller should check and verify the calculated amount by the project partner for office and administrative costs in compliance with the rules in respective GfA and reported expenditures for other categories of expenditures.

*Calculation method:*

$$\text{Office and administration costs} = 15\% * \text{eligible staff costs}$$

By applying the flat rate option, partners do not need to document that the expenditure has been incurred and paid, or that the flat rate corresponds to the reality.

#### Option 2 - Real costs. Subject of validation if:

- All office and administration costs (direct and indirect) are reported as actually incurred and paid.
- Indirect expenses must be allocated to the project according to a justified and equitable method. The partner organisation should use a pro rata to distribute the organisation's indirect expenses among different activities and to extract the share of indirect costs necessary for the implementation of the project. The allocation methodology should be in line with the general accounting policy of the partner organisation, e.g. allocation of indirect costs to the project based on a percentage of personnel costs.
- Internal practices and rules of the partner organisation that affect the level of indirect office and administration costs must be verified against the principle of sound financial management. In cases where costs are deemed not necessary or excessive, they should be removed from the calculation basis or adjusted to the justifiable level.

#### Documents proving expenditure:

- List of direct and indirect costs.
- Calculation method and a pro rata rate to justify indirect costs reported as real costs.

#### Documents proving payment:

- Cash receipts, invoices;
- Bank statements.

### **BL3 – TRAVEL AND ACCOMMODATION COSTS**

This budget line covers the expenditure of project team members, related to events, as follows:

- events associated with the project (technical meetings, meetings of joint working groups, meetings of the project team, workshops, trainings and seminars, fairs, etc.); business trips related to the project activities.

Travel, accommodation and subsistence expenditure are eligible under the following conditions:

- Travel should be within the eligible programme area. Any travel outside the eligible area shall be justified already in the AF or will further require specific approval by the JS/MA;

- As a general rule the most economical means of transportation should be used. Exceptions to this rule must be justified in each case;

The PPs shall not exceed the limits (if such limits are set) as per the GfA of the respective CfP and the resulting budget.

Documents proving expenditure:

- Invitation to a meeting / workshop / conference (if applicable); agenda and attendance list; minutes of meeting, photos and other materials, if applicable;
- Duly completed mission authorization/ travel order / calculation of travel expenses stating the expenditure on daily allowances, accommodation and modes of transport;
- Approved business trip/mission report;
- Invoice for accommodation;

When traveling by car (owned by the organization (LP/PP) or the expert):

- Car/vehicle details shall be specified in the mission order (registration number, brand, fuel consumption – if relevant);
- Completed and approved itinerary (destination, distance travelled) for the trip;
- Protocol for the consumption rate of the used vehicle;
- Invoice for fuel (current date);

When traveling by rental car:

- Standard contract for car rental, invoice(s) and tender documentation if applicable (see the approved Project Procurement Plan);
- Completed and approved itinerary (destination, distance travelled) for the trip;
- Invoices for car rental;
- Invoices for fuel (from a near date).

When traveling by train / bus / plane:

- Boarding pass, bus or train ticket as relevant.

Accommodation rates for each activity of each project is set in the project budget and in accordance with the respective GfA for the Call for proposals.

Maximum daily rates for hotel and subsistence should be respected, in accordance with the national legislation or internal policy of the partner organisation. In duly justified cases, costs above the maximum rates may be accepted.

Documents proving payment:

- Cash receipts, invoices, payment orders, payslips;
- Bank statements.

## **BL4 – EXTERNAL EXPERTISE AND SERVICES COSTS**

The budget line covers the expenses for organization of meetings, seminars, press conferences, awareness campaigns, trainings, evaluation committees, consultancy, studies, designs, etc. The expenditures include:

- Rent of premises;
- Rent of audio / video and translation equipment;
- Travel for events;
- Catering for events.

**The expenditure on alcoholic beverages and cigarettes is not eligible.**

- Training materials - the costs for production of materials needed to conduct the events (invitations, agenda, presentations, etc.);
- Costs of consumables such as pens, paper, folders, plastic envelopes, CDs, etc.;
- Rent of vehicle for the event and in justified cases costs for tickets – bus, train or airplane;
- Accommodation for participants in the events.
- Purchase of advertising materials - such as promotional CDs, pens, hats, bags, notebooks, folders, USB's, etc.
- Costs for elaboration, design, translation, printing, etc. of information and publicity materials;
- Publications in the media advertisements on radio, TV, Web and the press.
- Consultancy, studies, design, etc.;
- Translators, lecturers, trainers and other external experts – shall be different from the project team;
- Costs of permits, certificates, etc. related to implementation of the respective activity. Bank charges for transnational financial transactions, bank fees for opening and maintaining a separate bank account of the Lead beneficiary required for the Programme (this pertains only to the separate bank account opened specifically for the purposes of the project);

Documents proving expenditure:

- Tender documents – if applicable (see the approved Project Procurement Plan);
- Contract;
- Invitations, agenda and attendance list, minutes of meeting and other materials – if applicable;
- Invoices;
- Acceptance protocol(s);
- Copy of training materials, presentations, etc. – if applicable; Copy of any information and publicity materials related to the event as appropriate, including photos for each expenditure (e.g. lunch, dinner) – separate pack of proof materials.

Documents proving payment:

- Cash receipts, payment orders, payslips;
- Bank statements.

**BL 5 - EQUIPMENT AND WORKS**

This budget line includes expenditure on:

- Small scale construction:
  - Works site preparation (removal of waste materials and vegetation, drainage, etc.);
  - Actual works on site (construction, reconstruction, rehabilitation, extension and modernization of buildings / sites and associated facilities);
  - Connection to utilities - connecting to electricity, water and sewage, gas, etc.;
  - Site organization - facilities/premises for workers and equipment, waste disposal, installing fences, etc.;
  - Rehabilitation of the land after the completion of the construction and / or activities for environmental protection;
  - Supervision (if necessary) - in accordance with national legislation.
- Supplies:
  - Purchase of computer equipment and furniture;
  - Installation and commissioning;

- Software;
- Purchase of motor vehicles is permitted provided that they are required to achieve the objectives of the project (e.g. specialized vehicles for intervention in case of disasters).
- Expenditure for purchase of laboratory equipment, machines measuring instruments, etc.

For equipment that will not be used by project partners or by the target group after the end of the project, and if its period of depreciation exceeds the duration of the project, only the depreciation costs for the period of the project will be considered as eligible expenditure.

Depreciation rates should be calculated in accordance with national rules and the internal rules of the organization.

Depreciation is calculated pro rata for **each period** for which a periodic report is required and prepared. The entire amount of depreciation for the period of the project cannot be included in total in only one specific reporting period.

Only the proportional amount of depreciation for the period of the project is considered an eligible expenditure. If allowed by the respective national rules, even if the depreciation period exceeds the duration of the project, it would be still possible to accept the entire amount of expenditure for purchased equipment under the condition that the PP provides declaration that the equipment shall be used by them for the same purpose for at least 5 years after project closure.

The value of depreciation (the percentage used and the time duration of depreciation) is subject to verification.

Depreciation expenditure on equipment cannot exceed the purchase price of equipment.

Documents proving expenditure:

For works:

- Tender documents – see approved Project Procurement Plan;
- Works Contract with annexes;
- Bills of quantities;
- Building permit;
- Forms / protocols certified by the Supervisor issued under respective national legislation for works;
- Documents proving the quality of construction materials and their compliance with the respective construction requirements and conformity assessment of construction products: declarations of conformity for products, certificates for production control, etc. – if required under the national legislation;
- Reports issued by the Supervisor;
- Taking over certificates or respective protocols under the national legislation;
- Invoice(s) from the works contractor and the supervisor;

For supplies:

- Tender documents – see approved Project Procurement Plan;
- Supply contract(s);
- Acceptance protocol - certificates of provisional and final acceptance of goods (including serial numbers of equipment or other identification numbers);
- Certificate of origin of the equipment – if applicable. The products can originate from any origin (full untying) if their value is below the threshold of the competitive negotiated procedure - EUR



100 000. For supplies with value above 100 000 EUR a certificate of origin shall be submitted, including serial numbers or other identification of the supplied items;

- The method for calculating depreciation (amortization plan, accounting policies) – as appropriate;
- Inventory book/register. The supplies shall be entered into the inventory as per the requirements of the national legislation;
- Invoice(s) from the supplier.

Documents proving payment:

- Cash receipts, payment orders;
- Bank statements.

## **BL 6 – PROJECT PREPARATION**

The budget sub-line covers the expenses for project preparation (meetings between partners, consultancy, elaboration of technical documentation (incl. feasibility studies, detailed design, technical drawings, etc.), elaboration of project proposal and application form, translation of documents, taxes and other charges).

The project preparation expenditures should be carried out before or on the date of submission of the project proposals at the latest. It means that all supporting documents as invoices, acceptance protocols, lists, etc., should be issued before or on the date of submission of the project proposal to the Managing authority at the latest. The expenses for project preparation should be requested for reimbursement and verified only in the first request for reimbursement of the respective project partner and in accordance with the guidelines from the Managing Authority.

In case of subcontracting, PRAG procurement rules should be applied.

The starting dates for eligibility of the project preparation expenditure are defined in the respective GfA.

Documents proving expenditure:

- Tender documents – if applicable;
- Contract;
- Invoice;
- Acceptance protocol(s);
- Documents proving meetings, travel, external expertize, staff expenses, translations, taxes and other charges.

Documents proving payment:

- Cash receipts, payment orders, payslips;
- Bank statements.

### **4.2.5. Currency & exchange rates:**

Currency of project expenditure and exchange rates are object of detailed check of the correctness of the exchange rates. The Controller is responsible for verification of the correctness of the exchange rates used for converting the expenditure incurred in national currency of the participating

country into Euro. In compliance with the provisions of the respective programme the following methods must be used in:

The expenditures shall be converted into Euro using the monthly accounting exchange rate of the European Commission (*available at: <http://ec.europa.eu/budget/inforeuro/>*) in force:

- For Interreg – IPA CBC Bulgaria – Serbia Programme, for the month during which the expenditures was submitted for verification to the Managing authority or to the controller - Article 28 (b) of Regulation (EU) № 1299/2013;
- For Interreg – IPA CBC Bulgaria - Republic of North Macedonia Programme, for the month during which the expenditures was submitted for verification to the managing authority or the controller - Article 28 (b) of ETC Regulation;
- Interreg – IPA CBC Bulgaria - Turkey Programme for the month during which the expenditures incurred - Article 28 (a) of this Regulation.

## 5. VERIFICATION METHODS

The main methods of FLC are:

- 100% administrative verifications (desk - based check)

and

- On-the-spot checks, depending on the type of the activities of projects and Beneficiaries, which should be performed before issuing CVE.

### 5.1 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 the Beneficiary portal or on a hard copy(in this case all documents must be stamped with “true copy of the original”). 100% of the expenditure declared by the LP/PP has to be verified by the Controller during this check.

The desk - based check mandatory covers at least the following verifications:

1.	Expenditures declared by the LP/PP are real and incurred for the project approved under the respective Programme.
2.	Expenditures declared by the LP/PP are supported by invoices or accounting documents of equivalent probative value.
3.	Expenditures declared by the LP/PP have been paid by the LP/PP and are supported by adequate document(s).

4.	The products or services have been delivered in accordance with the subsidy contract, European and national legislation.
5.	Supporting documents presented/submitted by the LP/PP are complete, accurate and acceptable as to their form and content.
6.	Expenditure declared by the LP/PP is eligible according to the common eligibility provisions of the relevant national and EU legislation as well as the specific rules of the respective Programme. .
7.	The Invoice Report, financial report and list of contracts prepared by the LP/PP is correct and consistent with the supporting documents.
8.	The part of the project implemented and expenditure declared by the LP/PP comply with the subsidy contract.
9.	The part of the project implemented and expenditure declared by the LP/PP are in line with Community and national legislation, including state aid rules, public procurement rules, publicity, rules on environmental protection and rules on equal opportunities.
10	The part of the project implemented by the LP/PP receives financial contribution only under the respective Programme, i.e. double-financing of expenditure with other Community or national schemes and with other programming periods is avoided.
11	The LP/PP maintains either a separate accounting system or an adequate accounting code for all transactions relating to the project
12	On the basis of the received supporting documents it can be stated that the LP/PP fulfilled the EU requirements concerning information and publicity.
13	Eventual revenues have been deducted from the total eligible expenditure of the project part implemented by the LP/PP or the LP/PP declares that no revenues have been generated.
14	The VAT reported (where applicable) is eligible, in line with the subsidy contract, the VAT status of the LP/PP and the respective national VAT legislation.
15	Adequate audit trail is maintained by the LP/PP.
16	Expenditure declared by the LP/PP is not affected by irregularity or any suspected irregularity or fraud.

The results of the desk - based checks are documented in CVE and Checklist for FLC. The information is to be uploaded in the BP for further use.

## 5.2 On-the-spot checks

On-the-spot checks have to cover verifications from financial, technical and physical aspects of the

project, and are mandatory to be performed for every single project, as follows:

- At least once for soft projects;
- At least two times for investment projects.

The on-the-spot check mandatory covers at least the following verifications:

1.	On-the-spot check is carried out by the Controller at the LP/PP concerning the period covered by the present and previous certificates on validation of expenditure, depending on the requirements of the respective national control systems
2.	The expenditure declared corresponds to the accounting records and supporting documents stored or submitted by the LP/PP.
3.	The part of the project implemented by the LP/PP is progressing in compliance with the objectives of the project laid down in the subsidy contract.
4.	The part of the project checked on-the-spot is implemented in compliance with Community and national rules, including state aid rules, public procurement rules, publicity, rules on environmental protection and rules on equal opportunities.
6.	Results from the project activities, services, goods and works were actually delivered on site and available. They were delivered as per the relevant Community, national and programme rules. They are not used for other purposes than the regulated in the approved Application Form, part of the subsidy contract.
7.	Adequate audit trail and document storage is maintained by the LP/PP.
8.	In the course of on-the-spot check no irregularity or any suspected irregularity or fraud were identified.

When performing “on-the-spot” a checklist (Annex 5.7. from INTERREG-IPA PROGRAMMES MANUAL.) is obligatory completed and signed by a controller and a legal representative of the beneficiary, or a project team member. The results of “on-the-spot” check are documented in the “on the spot” checklist for FLC. Both the controller and the PP representative sign the checklist during the visit on site. Scanned original of the completed Annex 5.7 is sent to the beneficiary via message in the BP and is attached at the “on-the-spot” section of MIS, along with pictures / proofs for “on the spot” findings (can be placed in the document, or attached in a single archive file along with the annex).

When controlling the quality of the FLC performed, the Head of FLC Unit completes a quality control part of the “on-the spot” check and also attaches it at the MIS, before approving the Certificate.

## 6. SPECIFIC TASKS OF THE CONTROLLER

### 6.1. 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 documentary administrative checks (on desk checks), the Controller should verify:

- the provided by the 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 invoice report;

#### On-the-spot checks:

During on-spot-checks (planned or ad-hoc) the controller executes thorough review of the accounting documentation for the reporting period, the accounting system and the way of documentation archiving as follows:

- The controller checks for evidence of the accounting system (either separate accounting system or adequate accounting code/cost centre) for all project-related transactions;
- The controller checks the completeness of accounting systems - controllers select 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 including an interview of the accountant followed by a walk-through of the accounting system;
- All expenditure supporting documents under the project must be compiled independently of the other documents of the organization. They should be clear and precise and have all the details, required under the respective national legislation;
- The primary accounting documents (especially invoices), issued to the PPs must include the text "Expenditure is under project No ...../ code of project and/or project name/ .... Interreg - IPA CBC Programme Bulgaria- ... ..". All expenditure must actually be incurred within the respective reporting period;
- The delivery of the products and services is properly accounted;
- The controller checks also for:
  - the presence of payment documents for each expense (cash orders, payment orders, deposit slip, bank statements, etc.); the recovery transfers of expenditure / cash in the accounting records;

- the presence in the invoices or attached protocols of detailed information about the goods or services - the type, quantity and unit price. In the event that one invoice relates to more than one budget line, it is necessary to have a breakdown in the invoice or its attachment so as to conform to the breakdown in the budget (e.g.: office rent, rent of equipment, coffee breaks, etc.);

- availability of records/registers required under the respective national law (e.g. cash books, VAT journals, etc.)

The review of the accounting system is made with the support of the accountant under the project.

## 6.2 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 (primary and secondary). 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;
- for each reporting period a declaration according to template on details about their VAT registration (for Bulgarian partners).

## 6.3. SUB-CONTRACTING PROCEDURES

### 6.3.1. Basis of the sub-contracting procedures

The procedures for sub-contracting (procurement procedures), should follow the requirements of the Practical guide **on contract procedures for European Union external action (PRAG)** in force and comply with the signed Subsidy Contract and approved by the JS Project Procurement Plan.

The approval of the Project Procurement Plan does not derogate the obligation of the LP/PP to observe the provisions of PRAG.

**PPs may sub-contract some of the actions needed to implement the project in accordance to the Eligibility of expenditures of the Programme and the project's budget.**

The Controller's check (desk based or on-the spot) must cover the legality of the procurement procedure and includes the public procurement process as a whole - from the selection of a procurement procedure to the signature of a contract (tender dossier, information for all the participants in the conducted sub-tendering procedure, the chosen sub-contractor and all documents subject to verification). Regarding the procurement procedures implemented by the PP, in the course of the document inspection, the Controller checks at least the following:

1.	The respective tender procedure is carried out in accordance with the procurement plan approved by the JS and in force at the time of launching of the procedure
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2.	There is no artificial split of the procedure in order to avoid, for example, an open procedure; In case of artificial split the respective corrective measures are proposed;
3.	Compliance with PRAG;
4.	Compliance with Project Implementation Manual;
5.	Selection criteria to applicants are clear and in accordance with public procurement principles. The minimum requested requirements set are not restrictive and discriminatory, etc.;
6.	The ToR and the methodology for assesment are not restrictive and discriminatory
7.	All the periods, deadlines, etc. set by the Programme and PRAG (publication, invitations, receiving tenders, etc.) are respected;
8.	Transparency of the evaluation process, audit trail available (all the documents related to the respective procurement procedure are available and in line with the applicable Law and rules - PIM; PRAG, etc.);
9.	Compliance with the EU visibility requirements and any specific ones for the respective programme.

The version of PRAG (and templates) in force at the time of launching the tender shall be used. Most updated version of PRAG and templates is available at <http://ec.europa.eu/europeaid/prag/>.<sup>1</sup>

### 6.3.2. Main principles to be observed by FLC related to subcontracting:

- **Compliance with the principle "price-quality ratio"** - the product has to meet the required quality by the Contracting Authority (PP). The main difficulty comes from the diversity of activities performed by the PPs. There may be cases when it would be difficult for the Controller to decide on the matter but in any case must not neglect to check the compliance with this principle. If in doubt, s/he should note that in the FLC checklists and should propose financial corrections. The respective PP may send an appeal declaration about the case and the final decision is on competence of MA/NA.
- **Application of “the best price-quality ratio” criteria:** In accordance with PRAG’s version in force the best price-quality ratio is used when the Contracting authority takes into account the price and other quality criteria linked to the subject matter of the contract and a weighting formula is applied.
- **Lack of conflict of interests - if there is any proof about:**
  - a conflict of interests for the Contracting authority;
  - grave professional misconduct;
  - involvement in drafting technical specifications and distortion of competition;

<sup>1</sup> During the project implementation phase, PRAG may be changed/amended. In case of substantial changes in the rules and procedures of PRAG, the MA will reflect the relevant changes in the PIM. Nevertheless, the beneficiaries have the obligation to keep a close watch on the latest version of PRAG and to apply the respective procedures and annexes. In case of modification of PRAG rules/annexes, the procedures launched before the new version becomes in force, shall be procured and contracted following the previous version of the Guide.

- professional conflict of interests (between the Contracting Authority (PP) and the tenderer, or between two or more tenderers).

The Controller may decide not to verify the amounts in question and justifies his decision accordingly. The respective PP may send an appeal declaration about the case and the final decision is on competence of MA/NA.

#### **Definition of “conflict of interests”:**

In accordance with article 57 of Regulation (EU, Euratom) 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 conflict of interest exists when an impartial and objective performance of the functions of any person associated with the awarding public contracts may be compromised for some reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person .

### **6.4. OVERVIEW OF THE EUROPEAN UNION HORIZONTAL POLICIES**

#### **6.4.1. 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 on-desk 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.

#### **6.4.2. Horizontal issues**

In performing his functions, the Controller has no obligation to assess the impact of the project, including horizontal issues as per Art. 7 and 8 of the CPR (Regulation (EU) No 1303/2013 of the European Parliament and of the Council - the Common Provisions Regulation). Nevertheless, it is relied on her/his professional assessment based on the information submitted by the PPs for respecting the following issues:

##### ***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 (for example for soft-projects, and depending on the target groups, 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

***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).

**6.5. CHECK OF DOUBLE FINANCING, REVENUES AND STATE AID**

**6.5.1. Double financing**

First level control includes checking the existence of any double funding of the respective expenditure from other Union or national schemes or from other programming periods. The main FLC check and verification include:

- the invoice indicates the Project number and the eligible amount;
- the invoice to be recorded in a separate account (in the accounting system) exclusively used for the project expenses;
- the payment of expenses through a separate bank account exclusively used for the project expenses;
- clear reference in all Contracts of the Project Name and the programme.

In addition, PPs are obliged to submit for each reporting period a declaration for lack of double funding and revenues for the project as per template. The Controllers check and verify these declarations.

**6.5.2. Revenues**

According to all Interreg - IPA CBC Programmes' requirements revenue generating projects will not be funded. The Controller checks whether the accounting records of the project partner do not contain any revenue generated under the project.

**6.5.3. State aid (only for FLC of Bulgarian beneficiaries)**

Within Interreg - IPA CBC Programmes no state aid is granted. Public support given by the Programme to undertakings from Bulgaria for activities of economic character will be granted under the de minimis rule.

The Bulgarian FLCs have the obligation to implement a strict control about any change of circumstances declared by the beneficiary regarding the presence/lack of an economic nature of the

activities, aiming to prevent/identify state aid rules violations. If such situation is identified it should be reflected in the CVE and immediately reported to the LI department of MA through submission of irregularity signal.

## 7. IRREGULARITIES

### 7.1. Definitions

#### 7.1. Finding and reporting irregularities

Irregularities 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 use “red flags” helping to spot possible irregularity cases, as follows:<sup>2</sup>

<b>Red flags regarding the documentary check:</b>	
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.
<b>Red flags in terms of financial management:</b>	

<sup>2</sup> Represents a non-exhaustive list of generally recognized fraud indicators (red flags)

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;
<b>Red flags regarding public procurement procedure.</b>	
16.	Incorrect choice of a procedure in accordance to PRAG;
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 PRAG
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 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 PRAG;
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.	Specific procurement procedure by electronic means is not observed as set out in the PRAG; (for example a dynamic purchasing system/ if applicable)
43.	There is irregular prior involvement of candidates/tenderers towards the contracting authority.
<b>Other Red flags</b>	
44.	Violations of tax legislation
45.	Contracts with suppliers of goods and services, which agreed price including VAT and in invoices issued by contractors that tax is not charged.
46.	Not respected requirements for publicity and visualization;
47.	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.

In case the FLC unit/Controllers spots a possibility of irregularity or fraud suspicion in the validation process a corresponding signal to the incoming system on the administrative structure where the MA is located is to be sent. The signal is submitted in a format corresponding to the latest version of Interreg--IPA CBC programmes Manual.

After completed the check under the signal performed by the competent Department the final statement has to be taken into account and indicated in the following FLC certificate.

Controllers have to be aware of the procedure of reporting suspected irregularities laid down in the respective programmes manuals. Finding and reporting irregularities process in the Participating countries depends on their specific national FLC systems, national legal basis and institutional rules.

## **8. CHECK OF THE EXPENDITURES UNDER PA TECHNICAL ASSISTANCE**

The activities concerning the preparation, coordination, management, monitoring, payment, reporting, assessment, information and control of the programmes and activities to strengthen the administrative capacity are financed under the priority axes "Technical Assistance" of the respective programmes.

Since the budget of the Technical Assistance covers the remuneration of FLC unit, in order to avoid conflict of interest and to ensure the adequate separation of functions, the verification process of expenditures under PA Technical assistance for MA is to be implemented by external experts, in full compliance to the requirements of Art.125 (7) of Regulation 1303/2013 (CPR). The detailed description of the expenditures verification process under PA Technical assistance is placed in Chapter 10 "Technical Assistance" of the Programme Implementation Manual.

The rules for checking the expenditures under TA in the Participating countries depend on their specific national systems and national legal basis and institutional rules.

## **9. DOCUMENTING FLC WORK PROCESS**

The results of the work of the controllers in all Participating countries are documented in CVE, Checklists for FLC and quality control checklists for the respective head of FLC (Annexes to the present Guidelines). The information is to be uploaded in the MIS.

The validation process ends with signing a Certificate for Validation of Expenditure, as well as completing the respective FLC section in the Invoice Report. The controller sends electronically the set of the documents to the head of FLC unit/Controlling Institution for the decentralized FLC organization forms for supervision.

In the framework of the total 45 days session considered from the date of the submission of the

Request for FLC is to be performed Quality control on the First Level Controller Report by The Head of FLC /Controlling Institution using Annex 5.3.

The supervision obligatory must be performed by completion of Quality control checklist (Annex 5.3), which have to be signed and attached at the relevant MIS section. Only after Quality control checklist is duly uploaded in MIS, the Certificate for Validation of Expenditure along with all adjoining annexes submitted from designated FLC officer could be approved and send to the beneficiary.

After completion of the check “Quality control on the First Level Controller Report” by the Head of FLC unit, the Certificate for Validation of Expenditure, the Check list and the Invoice Report are submitted to the LP with copy to PP.

## **10. MODIFICATION OF THE GUIDELINES**

When modifications of the present Guidelines are made in its latest approved version, the following rules shall be observed:

- The version of the Guidelines is indicated by 2 digits, separated by a dot (i.e. the present final version when approved is 5.5).
- Any subsequent additions and amendments made in the body of the Guidelines are indicated by increasing the 1st digit (i.e. 6.5) and indicating the date of approval.
- Any subsequent additions and amendments of the Annexes to FLC Guidelines are indicated by incrementing the 2nd digit (i.e. 5.6) and indicating the date of approval.

In this way any user of the Guidelines can recognise where changes have taken place and to what extent in general. Each version of the Guidelines will also include notes on the brief history of modifications.

Proposals to modify the Manual can be made by any of the bodies involved in the management and control of the Interreg - IPA CBC Programmes, including also external auditors and evaluators, technical assistance teams, etc. to which the Guidelines were made available.

The steps to be followed shall be as stated below:

1. MA receives proposals for amendment through the National Bodies in the Partnering Countries or collects the ones made at MA country level.
2. Proposals are reviewed by MA and changes and quality control are implemented following the internal procedures for issuing and approval of manuals, guidelines and instructions by the MA. Justification shall be made available for any proposals that will be rejected.
3. If the modifications have an impact on any other manuals, guidelines, instructions or other documents that are referring to the present FLC Guidelines, the MA shall update these documents accordingly.

4. The FLC Guidelines shall be made effective from explicitly stated date of validity. Every effort shall be made that the respective procedures, templates and requirements shall not be amended for a CfP with contracts already in implementation. If that happens, an appropriate transitional period shall be granted to comply with the requirements (normally until the contracts completion, or at least one reporting period).
5. Amended FLC Guidelines and any other correspondingly modified documents are published on Programmes' Websites or appropriately distributed or notified to the respective involved bodies.