

<i>Bosnia and Herzegovina</i>	<i>Interreg Adriatic-Ionian cooperation Programme – Control Guidelines at national level</i>		
<i>Ministry of Finance and Treasury (MoFT)</i>			
<i>Sector for financing and contracting programs and projects IPA</i>	Version 2	Date: July 2019	Page 1 of 26
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BOSNA I HERCEGOVINA
 MINISTARSTVO FINANCIJA/
 FINANSIJA I TREZORA



БОСНА И ХЕРЦЕГОВИНА
 МИНИСТАРСТВО ФИНАНСИЈА
 И ТРЕЗОРА

BOSNIA AND HERZEGOVINA
 MINISTRY OF FINANCE AND TREASURY

Control Guidelines at national level

Interreg ADRIATIC-IONIAN cooperation Programme

(FLC B&H)



Version 2.0 - July 2019

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1. INTRODUCTION

These Control Guidelines at national level for Project Partners (PP) from Bosnia and Herzegovina (B&H) who participate in projects funded under the Interreg Adriatic-Ionian cooperation Programme (hereinafter “the Programme”) have been developed by the Sector for Financing the EU Assistance Programs and Projects within the Ministry of Finance and Treasury B&H (MoFT) in its role as national First Level Control Office (FLCO) for cross border cooperation (CBC) programmes implemented under shared management.

These guidelines are intended for Project Partners (PP) from Bosnia and Herzegovina (B&H) involved in the implementation of projects financed under the Programme and as support the work controllers.

The main purpose of this document is to provide a general overview of the main duties and responsibilities of the partners from Bosnia and Herzegovina (B&H) and draws attention to inter alia the legal framework, the first level control system in place in Bosnia and Herzegovina (B&H), reporting obligations of the partners, the mechanisms underlying the transfer of funds within the Programme, rules regarding the eligibility of costs thereby taking into account any national legislation that may have an impact, obligations with respect to the retention of project documentation etc.

The Programme Authorities, based in Italy, have developed so-called “Programme Manual” which the first level controllers use and which can be consulted on the Programme website on the following link:

<http://www.adrioninterreg.eu>

These national Control Guidelines aim to amplify and complement the above-mentioned documents in particular by incorporating national and / or entity legislation wherever applicable and goes beyond the simple ticking off on checklists. In view of this it is important to note that controllers must develop knowledge about the legal status, size, organisational structure etc of the institution of the Partner, the nature, content, kind of activities envisaged and objective(s) of the project and the staff involved and this is something that goes quite outside the scope of a checklist. Therefore attention is drawn to the Partners that Controllers quite often will have to use professional judgment and personal experience to rule on issues not fully covered by the rules or checklists.

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2. LEGAL BASIS

2.1 EU LEGISLATION

The **main EC regulations and documents** related to the control system and the verification of expenditure of the Programme are:

- **Council Regulation (EU) No 966/2012 (financial regulation)** of 25 October 2012 laying down general provisions of financial rules applicable to the general budget of Union and the repealing Council Regulation 1605/2002
- **Regulation (EU) No 1303/2013** of 17 December 2013 – Common Provisions Regulation
- **Regulation (EU) No 1301/2013** of 17 December 2013 –ERDF regulation
- **Regulation (EU) No 1299/2013** of 17 December 2013- European Territorial Cooperation regulation
- **Delegated Regulation No 481/2014** of 4 March 2014 to specific rules on eligibility of expenditure for cooperation programmes.
- **Commission Implementation Regulation No 447/2014** of 2 May 2014 – specific rules for implementing IPA II.
- **Regulation No 1407/2013**
- **Regulation No 236/2014** of 11 March – Common Implementing Regulation
- **Directive and rules on public procurement**
- **PRAG**

2.2 NATIONAL LEGISLATION

The main specific national provisions according to legislation in place in Bosnia and Herzegovina (B&H) and which may have an impact on the financial management and verification of expenditure are, per budget line and per government level (non-exhaustive list):

STAFF COSTS:

BiH institutions (state level)

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- Zakon o radu u institucijama BiH (Sl.glasnik BiH, br 26/04, 7/05, 48/05, 60/10 i 32/13)
- Zakon o državnoj službi u institucijama BiH (Sl. glasnik BiH, br 19/02, 35/03, 4/04, 17/04, 26/04, 37/04, 48/05, 2/06, 32/07, 43/09, 8/10 i 40/12)
- Zakon o platama i naknadama u institucijama BiH (Sl.glasnik BiH, br. 50/08, 35/09, 75/09,32/12, 42/12, 50/12, 32/13, 87/13, 75/15, 88/15, i 94/16)
- Odluka o visini osnovice za obračun plate zaposlenim u institucijama BiH, sa godišnji izmjenama
- Odluka o visini novčane naknade zaposlenim u institucijama BiH za ishranu u toku rada
- Odluka o načinu i postupku ostvarivanja prava na godišnji odmor u institucijama BiH
- Odluka o načinu i postupku ostvarivanja prava na naknadu za godišnji odmor i plaćeno odsustvo u institucijama BiH
- Odluka o ostvarivanja prava na regres za godišnji odmor u institucijama BiH
- Odluka o visini regresa za godišnji odmor u institucijama BiH
- Odluka o visini, načinu i postupku ostvarivanja prava na naknadu za prevoz na posao i sa posla u institucijama BiH, sa izmjenama
- Odluka o postupku ostvarivanja prava na naknadu za prekovremeni rad, rad u neradne dane, noćni rad i rad u dane državnih praznika u institucijama BiH
- Odluka o okvirnim kriterijima za dodjelu novčane nagrade zaposlenim u institucijama BiH
- Odluka o načinu i postupku ostvarivanja prava na naknadu za porodijsko odsustvo u institucijama BiH
- Odluka o načinu i postupku ostvarivanja prava na naknadu za bolovanje u institucijama BiH
- Odluka o načinu i postupku ostvarivanja prava na troškove smještaja, odvojenog života i privremenog rasporeda
- Odluka o načinu i postupku ostvarivanja prava na naknadu državnih službenika za obavljanje poslova drugog radnog mjesta u institucijama BiH

Federation of Bosnia and Herzegovina

- Zakon o radu FBiH, (Službene novine FBiH, br 43/99,32/00,29/03, 62/15 i 26/16)
- Zakon o obligacionim odnosima , (Sl list R BiH, br 2/92,13/93, 13/94 i Sl novine FBiH, br 29/03 i 42/11)
- Zakon o namještenicima u organima državne službe u FBiH, (Sl.novine FBiH, 49/05)

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- Zakon o državnoj službi FBiH, (Sl. novine FBiH, br 29/03, 23/04, 39/04, 54/04, 67/05, 08/06, 4/12 i 99/15)
- Zakon o mirovinskom i invalidskom osiguranju, (Sl. novine FBiH, br 29/98, 49/00, 32/01, 18/05, 73/05, 59/06 i 4/09)
- Zakon o plaćama i naknadama u organima vlasti FBiH, (Sl. novine FBiH, br 45/10, 20/17)
- Zakon i podzakonski propisi o državnim službenicima i namještenicima u organima državne službe po kantonima u FBiH
- Uredba o naknadama koje nemaju karakter plaće, (Sl. novine FBiH, br 63/10, 22/11, 66/11 i 51/12) i za sve kantone pojedinačno
- Uredba o naknadama koje pripadaju članovima Vlade Federacije Bosne i Hercegovine i njihovim savjetnicima koje nemaju karakter plaće ("Sl. novine F BiH", br 87/10, 22/11 i 9/16)
- Opšti kolektivni ugovor za teritoriju Federacije BiH, (Sl. novine FBiH, br 54/05 i 48/16) sa svim granskim kolektivnim ugovorima
- Zakon o poreznoj upravi Federacije BiH, (Sl. novine FBiH, br 33/02, 28/04, 57/09, 40/10, 27/12, 7/13, 71/14 i 91/15)
- Zakon o porezu na dohodak, (Sl. novine FBiH, broj 10/08, 9/10, 44/11, 7/13 i 65/13)
- Pravilnik o primjeni Zakona o porezu na dohodak, (Sl. novine FBiH 67/08, 4/10, 86/10, 10/11, 53/11, 20/12, 27/13, 71/13, 90/13, 45/14 i 52/16)
- Zakon o doprinosima, (Sl. novine FBiH, br 35/98, 54/00, 16/01, 37/01, 1/02, 10/02, 17/06 i 19/08)
- Zakon o vodama, (Sl. novine FBiH, br 70/06 (stopa 0,5% na osnovicu)
- Pravilnik o načinu obračunavanja, postupku i rokovima za obračunavanje, plaćanje i kontrolu izmirivanja obaveza po osnovu OVN i posebnih vodnih naknada, (Sl. novine FBiH, br 92/07, 46/09)
- Uputstvo o načinu obračunavanja i uplati posebne naknade za zaštitu od prirodnih i drugih nesreća (Sl. novine FBiH br 81/08 (stopa je 0,5%))
- Zakon o zaštiti i spašavanju ljudi i materijalnih dobara od prirodnih i drugih nesreća, (Sl. novine FBiH, br 39/03, 22/06 i 43/10)
- Pravilnik o načinu obračunavanja i uplate doprinosa, (Sl. novine FBiH, br 64/08, 81/08, 98/15 i 6/17)
- Pravilnik o podnošenju prijave za upis i promjene upisa u jedinstveni sistem registracije i kontrole i naplate doprinosa, (Sl. novine FBiH, br 73/09, 38/10, 77/10, 9/11, 1/13, 83/14, 1/15, 48/16)

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- Zakon o radu, (Službeni glasnik RS br 1/16, 66/18)
- Zakon o obligacionim odnosima ("Službeni list SFRJ", broj 27/78 i "Službeni glasnik RS, broj 17/93, 3/96)
- Zakon o državnim službenicima, (Sl glasnik RS br 118/08, 117/11, 37/12, 57/16)
- Zakon o administrativnoj službi u upravi RS, (Sl glasnik RS br 16/02,38/03, 42/04, 49/06, 20/07 i 118/08)
- Zakon o PIO, sa izmjenama (Službeni glasnik RS, br 134/11, 82/13 i 103/15)
- Zakon o platama zaposlenih u organima uprave RS, (Sl glasnik RS, br 31/14, 33/14 i 116/16)
- Opšti kolektivni ugovor, (Sl.glasnik RS, br 40/10)
- Odluka o najnižoj plati, (Sl.glasnik RS br 2/17)
- Odluku o utvrđivanju uvećanja plate, visine primanja po osnovu rada i visine pomoći radniku, (Sl.Glasnik RS br 53/16)
- Zakon o porezu na dohodak, (Sl.glasnik RS, br 60/15 i 5/16)
- Zakon o doprinosima, (Sl.glasnik RS, br 103/15 i 116/12)
- Pravilnik o uslovima, načinu obavještanja, obračunavanja i uplate doprinosa, (Sl.glasnik RS, br 19/11)
- Zakon o izmjeni I dopuni zakona o porezu na dohodak (66/18)

TRAVEL AND ACCOMMODATION:

BiH institutions (state level)

- Odluka o visini dnevnice za službeno putovanje (Sl glasnik BiH, broj 32/07, 6/12)
- Odluka o načinu i postupku ostvarivanja prava zaposlenih u institucijama BiH na naknadu za službeno putovanje (Sl glasnik BiH, broj 6/12)

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- Uredba o naknadama troškova za službena putovanja, (Službene novine FBiH, broj 44/16, 50/16)

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- Uredba o naknadama za službena putovanja u zemlji i inostranstvu, za zaposlene u javnom sektoru RS, (Službeni glasnik RS, broj 73/10)

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LEGISLATION RELATED TO VALUE ADDED TAX (VAT):

- Zakon o porezu na dodatnu vrijednost, Sl. Glasnik BiH, broj 9/05, 35/05 i 100/08
- Instrukcija o postupku ostvarivanja carinskih i poreskih oslobađanja u skladu sa Okvirnim sporazumom između BiH i Evropske Komisije o aranžmanima za provođenje finansijske pomoći Unije Bosni i Hercegovini u okviru instrumenta predpristupne pomoći (IPA II), (Sl. Glasnik BiH br 91/15)

LEGISLATION RELATED TO PUBLIC PROCUREMENT:

- Zakon o javnim nabavkama BiH, (Sl.glasnik BiH, br 39/14)

LEGISLATION RELATED TO DEPRECIATION:

BiH institutions (state level)

- Odluka o visini godišnjih stopa otpisa stalne imovine kod budžetskih korisnika na nivou BiH
- Pravilnik o računovodstvu budžeta institucija BiH

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- Zakon o porezu na dobit u FBiH (Službene novine FBiH br 15/16)
- Pravilnik o primjeni Zakona o porezu na dobit u FBiH (Sl. novine FBiH br 88/16)
- Zakon o računovodstvu i reviziji u FBiH (Službene novine FBiH br 83/09)

Republika Srpska

- Zakon o porezu na dobit RS (Sl. Glasnik RS br 94/15)
- Pravilnik o obračunu amortizacije na stalnu imovinu (Sl. Glasnik RS br 98/11)
- Zakon o računovodstvu i reviziji u RS (Sl. Glasnik RS br 94/15)

In case of contradictions between EU and national legislation the stricter rules apply and Beneficiaries are obliged to establish these themselves.

2.3 PROGRAMME RULES

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The main documents which guide the First Level Controllers in their work related to the Interreg Adriatic-Ionian cooperation Programme are:¹

- The Interreg V B Adriatic Ionian – ADRION - Cooperation Programme document adopted by the European Commission on 20 October 2015, Decision C(2015)7147;
- The Interreg ADRION Programme Strategic Environmental Assessment
- The Call announcement of each call for proposals
- Other publications (manuals and fact sheets) published on the programme web site
- Program Manual
- Manual for controllers

The above list of EU and national legislation and programme specific rules and documents is not exhaustive and may have to be amended and/or complemented during the implementation of the Programme due to changes in the regulatory framework.

3. STATE CO-FINANCING

Under the Interreg Adriatic-Ionian cooperation Programme (ADRION) Bosnia and Herzegovina (B&H) does not provide state contribution and therefore project applicants / partners are themselves responsible for ensuring funds for co-financing their project activities for a minimum of 15% from public or private (its own) sources.

Applicants are suggested to contact the National Contact Point (NCP) in Bosnia and Herzegovina (BiH) at:

Directorate for European Integration (DEI)

Division for EU Assistance Coordination

CBC department

Đoke Mazalića 5, 71000 Sarajevo, Bosnia and Herzegovina

Ms. Sanja Vukadin

Damir Hadžić

Tel. +387 33 255 375

Email: sanja.vukadin@dei.gov.ba

damir.hadzic@dei.gov.ba

Web: www.dei.gov.ba

¹ Documents can be found at the following link: <http://www.adrioninterreg.eu>

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4. FIRST LEVEL CONTROL IN BOSNIA AND HERZEGOVINA

In line with Article 23 (4) of Regulation (EC) No. 1299/2013 setting up the control system, the each participating country has to set up a national control system making it possible to verify the delivery of products and services, the soundness of the expenditure declared and the compliance of such expenditure with Community and, where relevant, national rules. For this purpose each participating country shall designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each final beneficiary.

In view of the above Bosnia and Herzegovina (B&H) has opted to use a centralised control system at national level through a public administrative body.

The body designated as the national First Level Control Office (FLCO) in Bosnia and Herzegovina (B&H) with respect to the Programme is the Sector for Financing the EU Assistance Programs and Projects within the Ministry of Finance and Treasury (MoFT). This decision is adopted by the Council of Ministers and formally announced in the Official Gazette No 55/16 on 29 July 2016.

Since First Level Control (FLC) is assured by means of a centralised control system at national level by a public administrative body, the costs related to FLC in Bosnia and Herzegovina are not borne by the partners.

The Head of the FLC, who is also Assistant Minister, is the sole responsible person for the formal issue of the FLC Certificate whereas the actual verification will be carried out by a number of his/her staff as determined by him/her whereby each controller will be assigned the responsibility for the verification of a dedicated number of projects.

The B&H First Level Controllers are civil servants and their salaries are paid out of the national budget. Other costs related to the execution of first level control (such as those related to the participation of controllers in training/seminars either within the territory of B&H or abroad, participation in events organised by Interact in Vienna et cetera) may be financed out of the budget allocated by means of a Technical Assistance (TA) Subsidy Contract which will be signed with respect to the ADRION Programme between the Directorate for European integration B&H and the Managing Authority (MA).

First Level Controllers verify 100% of the expenditure declared by Project Partners (PP) in their Partner Reports electronically through the eMS. Based on this comprehensive and detailed desk-based administrative verification, complemented by on-the-spot checks on a sample basis, the First Level Controllers issue a FLC Certificate in electronic version through eMS which is developed by the programme.

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5. CONTROL PROCEDURE IN ADRION PROGRAMME

The procedure for control in the ADRION Programme follows the Lead Partner principle, which means that the verification of expenditure should be performed for each project partner by the responsible Controller at national level and the Lead Partner is responsible to prepare the Application for Reimbursement at project level based on the expenditure validated at partner level.

- 1) Each Project Partner has to submit a Partner Report to declare its expenditure relevant for a reporting period for validation to the responsible Controller through the eMS. Each project partner, is responsible separately for having its expenditure validated by the responsible Controller.
- 2) The Controller verifies the expenditure declared by the Project Partner/Lead Partner in the eMS, on the basis of the invoices or accounting documents of equivalent probative value, verifies the delivery of the products and services co-financed, the soundness of the expenditure declared, and the compliance of such expenditure with EU and programme rules and relevant national rules.
- 3) After verification, the Controller issues the FLC Certificate generated by the electronic data exchange system (eMS).
- 4) After the verification is finalised by the Controller in the eMS, the Project Partner has to submit the Partner Report and the FLC Certificate to the Lead Partner through the eMS.
- 5) The Lead Partner prepares the Progress Report and the Application for Reimbursement on the system based on the Partner Reports submitted also through the system. The expenditure verified by the Controllers (i.e. financial data of the FLC Certificate) is automatically aggregated to project level providing the data of the Application for Reimbursement.
- 6) The Lead Partner has to submit the Progress Report and the Application for Reimbursement to the MA/JS within a period of 3 months from the end of each reporting period through the eMS.

6. REPORTING

6.1 BASIC RULES

Given that in line with Programme rules the reporting mechanism is explained in the Subsidy Agreement, all document and template related to the reporting can found on the website programme:

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<http://www.adrioninterreg.eu>

6.1.1. Reporting at Partner level

According to the control procedure, each Project Partner has to submit its expenditure relevant for a reporting period for validation to the Controller in its Partner State.

In order to ensure the verification of expenditure of a project partner, each Project Partner, has to prepare a Partner Report, describing the activities fulfilled and the expenditure incurred and paid in the given reporting period. The Partner Report is a simplified version of the Progress Report of the Lead Partner, as it is relevant for one Project Partner only.

The Partner Report is a standard reporting form of the ADRION Programme to be submitted online through the eMS.

The reporting at partner level through the eMS allows that the same level of information is requested at partner level by the Controllers and the same level of information is provided by the Project Partners to the Lead Partner.

The Partner Report in the system ensures the financial data (expenditure, generated revenues) needed to issue the FLC Certificate by the Controllers. The list of expenditure is generated by the system based on data recorded by the Project Partner in the system (types of data: staff costs data, invoices, simplified costs amounts) linked to budget lines and work packages. Supporting documents can be uploaded through eMS.

The language of reporting is English for the transparency of the financial procedures and to ensure the preparation of the Progress Reports by the Lead Partners.

Depending on situation, the Controllers at national level may request additional information related to control activity, e.g. clarifications, declaration, public procurement questions, etc. by e-mail.

6.1.2. Timeframe of verification

Eligible project expenditure shall be incurred and paid within the project period defined by the starting date and end date of the project according to the Subsidy Contract

Costs incurred during the last reporting period must be paid within 30 days from the project end date at the latest with the exception of:

- Preparation costs if any

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- Costs reported in the last reporting period and incurred before the end date of the project shall be paid within 30 days from the end date of the project; the deadline for payments is indicated in the Subsidy contract.

6.1.3 Lead Partner (LP) principle

The financial management of the project is based on the so-called “Lead Partner (LP) principle whereby the Lead Partner (LP) is responsible for:

- the collection of the FLC Certificates of each partner
- the submission of Applications for Reimbursement (AfR) to the MA/JS
- the receipt of the EU (ERDF / IPA) contribution
- the transfer of the EU (ERDF / IPA) contribution to the partners

6.1.4 Principle of reimbursement

The Programme operates on the basis of reimbursement of eligible expenditure. This means in practice that Project Partners (PP) have to first pay (pre-finance) the expenses and afterwards will subsequently be reimbursed by the Programme Authorities for the expenditure validated by the First Level Control (FLC).

Expenses that have emerged in a given period but that were not paid in that period will have to be reported with the next Partner Report (PR) given that expenditure can only be validated by the First Level Controllers (FLC) if proof of actual payment is included in the supporting documentation.

It is important to note that the IPA contribution will only be reimbursed when the related report is approved by the Joint Technical Secretariat (JS).

6.1.5. Reporting schedule

The standard reporting schedule under the ADRION Programme is six-monthly whereby the deadlines for the submission of reports are defined in Subsidy agreement.

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The Progress Report (and the Partner Report as well) is divided into Activity report and Financial report parts and prepared according to documents of programme.

In the Report all expenditure need to be expressed in Euro (€). Expenditure incurred by project partners in a currency other than the Euro shall be converted into Euro by using the monthly accounting exchange rate of the European Commission (http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm) in the month during which expenditure was submitted for verification to the controller

6.1.6 FLC Certificate (FLCC)

As a result of detailed and in-depth verifications, the First Level Controller (FLC) in charge of the project concerned will issue a FLC Certificate in the eMS of the Programme. One original certificate has to be printed, recorded and kept by the FLC.

Standard documents for the verification of expenditure:

The FLC Checklist contains the checks performed for the eligibility of requirements and the supporting documents needed for the verification of expenditure and it is obligatory to use by the controllers in eMS. In accordance with the four eyes principle, if applicable, the checklist is filled in by the Controller in the eMS according to the findings during the verification of expenditure and another Controller has to review the work done.

The checklists will be saved in the system.

6.1.7. Reissuing the FLC Certificate

The reissuing of the FLC Certificate can be requested only before the approval of the Application for Reimbursement by the Lead Partner (LP) and / or MA/JS in the following cases:

- a) Ineligible expenditure included in the FLC Certificate (LP or MA/JS)
- b) Expenditure declared to wrong BL or WP (LP or MA/JS)
- c) Mistakes in reporting the specific types of expenditure (LP or MA/JS)
- d) Amount affected by suspect of irregularity included in the Control Certificate (MA/JS)
- e) Control Certificate is not issued by the authorised person (MA/JS)

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In case the Lead Partner sends back the FLC Certificate to the PP concerned, the FLC Certificate has to be reissued if possible before the deadline of submission of the Progress Report. The MA/JS shall be also consulted in disputed cases.

In case the reissuing of the FLC Certificate is requested by the MA/JS, the Lead Partner is responsible to re-submit the revised Progress Report and Application for Reimbursement to the MA/JS integrating the reissued FLC Certificates and any further documents requested within the deadline set by the MA/JS.

In case the reissued and resubmitted FLC Certificate is still not acceptable by the MA/JS after two completions, the MA/JS is entitled to deduct the total amount of the concerned FLC Certificate of the given partner(s) from the amount of the Application for Reimbursement. In this case, the corrective (re-issued) FLC Certificate shall be submitted in the earliest possible next Application for Reimbursement to the reporting period concerned.

Before the approval of Application for Reimbursement by the MA/JS, the Controller notifies the MA/JS on the need for reissuing the FLC Certificate concerned. In this case the MA/JS requests the reissuing of the FLC Certificate through the LP and PP concerned in order to enable the Controller to reissue the FLC Certificate.

Address where documents have to be sent to

Sector for Financing the Assistance Programs and Projects IPA, FLC B&H

Ministry of Finance and Treasury (MoFT)

Trg BiH 1 – 17th floor

71000 Bosnia and Herzegovina

Tel: +387 33 703027

Fax: +387 33 703138

Or e-mail

hramovic@mft.gov.ba;

7. CONTROL REQUIREMENTS

Controllers designated by each Partner State shall ensure the compliance of expenditure incurred by the project partners with EU, programme and national rules, by carrying out verifications within the meaning of Article 23(4) of the Regulation (EU) No. 1299/2013, as well as Article 125(5) of the Regulation (EU) No. 1303/2013.

In accordance with Article 125(4)(a) and (b) and 125(5) of the Regulation (EU) No. 1303/2013, verifications carried out by the Controllers shall ensure that

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- the co-financed products and services have been delivered
- the expenditure declared by the beneficiaries has been paid
- it complies with the applicable law, the cooperation programme and the conditions for support of the operation.

The designated controllers shall also ensure that each project partner involved in the implementation of projects reimbursed on the basis of eligible costs actually incurred (real costs) maintain either a separate accounting system or an adequate accounting code for all expenditures.

Verifications to be carried out shall include the following procedures:

- administrative verifications* (desk based checks) in respect of each application for reimbursement,
- on-the-spot verifications* of the projects.

8. BASIC RULES RELATED TO THE ELIGIBILITY OF COSTS

8.1 ELIGIBILITY RELATED TO AREA AND TIMEFRAME

8.1.1. Area

As a general rule projects must be realised in the Programme eligible area which consists of the whole territory of the following countries: 4 EU countries (Croatia, Italy, Greece, and Slovenia) and 4 non-EU countries (Bosnia and Herzegovina, Montenegro, Serbia, Albania).

In addition travel and accommodation costs incurred within the EU but outside the Programme eligible area (e.g. Belgium) can be considered eligible provided prior written approval has been obtained from the Joint Secretariat (JS).

8.1.2. Timeframe

Expenditure is eligible from the final date of approval of the project by the Monitoring Committee (MC) and within the eligibility period of the project as defined by the starting and ending date according to the approved Application Form (AF) and as stipulated in the Subsidy Contract.

Eligible project expenditure shall be incurred and paid within the project period defined by the starting date and end date of the project according to the Subsidy Contract

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Costs incurred during the last reporting period must be paid within 60 days from the project end date at the latest with the exception of:

- Preparation costs if any (see special eligibility rules in 3.3.3.4);
- Control costs related to the last Progress Report and Application for Reimbursement can be incurred after the end date of the project period, but it shall be paid within 60 days from the end date of the project at the latest;
- Costs reported in the last reporting period and incurred before the end date of the project shall be paid within 30 days from the end date of the project; the deadline for payments is indicated in the Subsidy contract.

8.2 GENERAL ELIGIBILITY CRITERIA

The rules on eligibility of expenditure for the ADRION Programme are developed based on the EC Delegated Regulation No. 481/2014, referred in the Applicants Manual as “Delegated Act” and in line with the EU Regulations listed in section 3.3.1 of this manual as well.

In principle, the same eligibility rules apply to EU country and to IPA partners due to the integration of IPA Funds at programme level. In case of exceptions due to different rules for IPA, these are explicitly mentioned under the relevant sections.

In general, in order to be considered eligible the expenditures have to fulfil all the following criteria:

- All expenditures are related to the initiation and implementation of the project as approved by the Monitoring Committee, and essential for the achievement of the agreed project activities
- All expenditures must comply with the principle of efficiency, effectiveness and economy
- All expenditures must comply with the principle of real costs, with the exception of the costs calculated as flat rates and lump sums
- All expenditures are incurred and paid by the PP indicated in the AF during the eligibility period of the project
- All expenditures relate to activities that have not been 100% financed from other financial instruments
- All expenditures are supported by invoices or other documents with probative value directly attributable to a certain PP with the exception of the costs calculated as flat rates and lump sums

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- All expenditures are in line with eligibility rules on EU, programme and national eligibility rules

Ineligible expenditure:

- Fines, financial penalties and expenditure on legal disputes and litigation
- Costs of gifts, except those not exceeding 50 EUR per gift where related to promotion, communication, publicity or information
- Costs related to fluctuation of foreign exchange rate
- Taxi cost
- Interest on debt
- Purchase of land and existing buildings
- Value added tax except where it is non-recoverable under national VAT legislation
- Contributions in kind, as defined in Article 69(1) of regulation (EU) No. 1303/2013
- Project expenditure split among PPs (i.e. sharing of „common costs”)
- Second hand equipment

Special types of expenditure:

- Preparation cost for Lead partner
- Expenditure of the Associated Strategic Partners

The EC regulations relevant for the eligibility of expenditure are the followings:

- Article 3 of Regulation (EC) No. 1301/2013 (ERDF Regulation) – scope of support from the ERDF, i.e. specific provisions on the eligibility of activities
- Articles 6 of Regulation (EC) No. 1303/2013 (CPR) – regulates the “applicable law”
- Articles 65 to 71 of Regulation (EC) No. 1303/2013 (CPR) – specific provisions on eligibility of expenditure
- Articles 18 to 20 of Regulation 1299/2013 (ETC Regulation) – specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal
- Commission Delegated Regulation (EU) No 481/2014 – specific rules on eligibility of expenditure for cooperation programmes, with regard to the following expenditure categories: staff costs, office and administrative expenditure, travel and accommodation costs, external expertise and service costs, and equipment expenditure

All expenditure has to be in line with the EC regulations and the relevant national rules and legislation. Please note that the list of regulations is not exhaustive and rules and regulations may have to be amended during the programme implementation period due to changes in the regulatory / legal framework.

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8.3. VALUE ADDED TAX (VAT)

According to the Framework Agreement (FWA) between Bosnia and Herzegovina (BiH) and the European Commission on the Arrangements for the Implementation of Union Financial Assistance to Bosnia and Herzegovina Under the Instrument for Pre-Accession Assistance (IPA II), and more in particular Article 28, taxes, customs and import duties and levies and/or charges having equivalent effect are not eligible costs under IPA II.

The procedure for obtaining the VAT and custom duties exemption certificate for Project Partners from Bosnia and Herzegovina is conducted in accordance with the “Instruction on claiming customs duties and taxation payment exemption” (hereinafter the Instruction). The original title of the Instruction is “Instrukcija o postupku ostvarivanja carinskih i poreskih oslobođanja u skladu sa Okvirnim sporazumom između BiH i Evropske Komisije o aranžmanima za provođenje finansijske pomoći Unije Bosni i Hercegovini u okviru instrumenta predpristupne pomoci (IPA II)” (Sl.Glasnik BiH 91/15).

One of the annexes of above-mentioned instruction is the “Certificate on exemption from payment of import duties and value added taxes (VAT) on purchase of goods and services in Bosnia and Herzegovina under projects financed from the Instrument for Pre-accession Assistance II and implemented under shared management” (“Potvrda IPA II MFT”).

This Certificate, one per contract, is issued by the Ministry of Finance and Treasury (MoFT). According to Article 5 of the instruction, the exemption from customs or import duties shall be effected at the customs office in the territory of Bosnia and Herzegovina (B&H) to which the goods which are exempt from payment have been presented. The Beneficiary has to submit the customs declaration (“Jedinstvena Carinska Isprava – JCI), the certificate “Potvrda IPA II MFT” and the list of goods.

The final decision shall be indicated by the customs office concerned and noted in field C of the customs declaration form.

In line with Article 6 and Article 7 of the instruction, the supplier of the goods or services concerned issues the invoice exclusive of VAT indicating the following clause: “Exempt from VAT in accordance with Article 29 paragraph 2 of the Law on Value Added Tax (VAT)”.²

² Free translation in English of the Instruction.

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The beneficiary shall submit to the supplier of the goods or services a copy of the “Certificate “Potvrda IPA II MFT” in order to receive the invoice without VAT.

8.4 ACCOUNTING FOR THE PROJECT

In order to clearly and easily identify, as well as properly manage and monitor the project related expenditure and revenues (if any), Project Partners (PP) should maintain an adequate accounting code within the Project Partner’s (PP) overall accounting system which allows clear tracking of project related costs or revenues by Work Package (WP), budget line (BL), activity, payment date, reporting period.

Under the Programme the opening of a separate bank account for the project is requested only for Lead Partners (LP).

Whatever system is chosen (i.e. separate accounting system or separate accounting code within the overall accounting system of the Partner), the system shall be run in accordance with bookkeeping and accounting policies of Bosnia and Herzegovina (B&H).

8.5 PRE-FINANCING

Pre-financing mechanism is foreseen under the ADRION Programme, up to 10% for IPA country.

9. TYPES OF DOCUMENTS REQUIRED FOR EXPENSES TO BE ELIGIBLE

In accordance with the Programme rules, eligible expenditure are under the following budget lines:

1. Staff costs
2. Office and administrative expenditure
3. Travel and accommodation costs
4. External expertise and service costs
5. Equipment expenditure

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The general documents – that are not strictly related to a particular budget line – can be submitted through the electronic data exchange system of the Programme or in electronic version sent by e-mail or post /presented to the Controller with the first Partner Report according to the FLC Guidelines.

In addition the following specific provisions are applicable to the ADRION Programme:

9.1 Staff costs

The costs of the personnel employed by the beneficiary institution and executing tasks for the project management (project coordinator, project manager, assistant, financial manager, etc.) and/or tasks for the project content related activities are eligible to be reimbursed by the Programme as staff cost. Staff costs shall be budgeted and reimbursed according to real costs;

9.2 Office and administrative expenditure

Office and administration costs related to the project implementation shall be declared on a flat rate basis of 10% of the eligible staff costs of the project (i.e. costs declared under “Budget line 1 Staff costs” no matter if the flat rate or real costs method is used for the staff costs).

No further justification or supporting document is needed from the project partners to justify the Office and administration costs declared. The system will automatically calculate the amount of this cost.

The following types of expenditures are included under this budget line (exhaustive list):

- a. Office rent
- b. Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances)
- c. Utilities (e.g. electricity, heating, water)
- d. Office supplies
- e. General accounting provided inside the beneficiary organisation
- f. Archives
- g. Maintenance, cleaning and repairs
- h. Security
- i. IT systems

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- j. Communication (e.g. telephone, fax, internet, postal services, business cards)
- k. Bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened
- l. Charges for transnational financial transactions

9.3 Travel and accommodation costs

The travelling costs of the project staff employed by the Project Partner are eligible for financing under the travel and accommodation costs budget line.

The following items are eligible under this budget line:

- o Travel costs (tickets, travel and car insurance, fuel, car mileage, toll, parking fees);
- o Meals costs;
- o Accommodation costs;
- o Visa costs;
- o Daily allowances.

The following principles apply:

1. Travel and accommodation costs must clearly link to any project's activities
2. Costs must be definitely borne by the beneficiary
3. The principle of sound financial management should guide to the choice of transport and accommodation. (choose the most economical modes of transport, middle price range).

Travel and accommodation outside the Union part of the programme area must be in accordance with paragraph 13 and must be clearly indicated in the AF.

Travel and accommodation costs of:

- a) External experts and service providers including speakers, chairpersons, teachers, etc. shall be reimbursed under the external expertise and services budget line; the same applies to travel and accommodation costs;
- b) Associated partners can only be claimed under the external expertise and services budget line.

9.4 External expertise and service cost

Expenditure on external expertise and service costs shall be limited to the following services and expertise provided by a public or private law body or a natural person other than the beneficiaries of the project:

- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)

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- b. Training
- c. Translations
- d. IT systems and website, modifications and updates
- e. Promotion, communication, publicity or information linked to the project
- f. Financial management
- g. Services related to the organisation of events or meetings (rent, catering, interpretation)
- h. Participation in events (e.g. registration fees)
- i. Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services
- j. Intellectual property rights
- k. The provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee
- m. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers
- n. Other specific expertise and services needed for the given project

Eventual costs for promotional material (e.g.: gadgets) must be allocated under this budget line (not more 1% of total eligible budget)

When awarding external expertise and service contracts all project partners irrespective their legal status must ensure that EU and national rules on public procurement are respected, IPA country follows PRAG rules.

9.5 Equipment expenditure

Purchase, rent or lease of equipment costs is eligible in case it is necessary for the project implementation and is foreseen in the approved Application Form.

The purchase, rent or lease of the following equipment is eligible under this budget line:

- a. Office equipment
- b. IT hardware and software
- c. Furniture and fittings
- d. Laboratory equipment
- e. Machines and instruments
- f. Tools or devices
- g. Vehicles
- h. Other specific equipment needed for operations

Cost items accounted under the equipment budget line shall not be reimbursed under any other budget line.

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Costs of office equipment already in possession of the beneficiary organisation and used to carry out project activities are not eligible under this budget line, as such costs are already covered under the budget line office and administration.

Depreciation costs of equipment should be charged to the time period when the equipment is used for the project purposes, not full cost.

The full cost of equipment is only eligible when the following conditions are satisfied:

- o Equipment item is exclusively used for the project implementation;
- o The depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project;
- o Equipment item is not depreciable (e.g. low value asset) according to the national legislation

Project Partner need to make a statement that the purpose and ownership of the equipment which is part of an investment shall not be changed for at least 5 years after the project end date.

10. PUBLIC PROCUREMENT

Public procurement is a process used by organisations and companies receiving public funds for choosing and contracting providers of goods, services and works by ensuring transparency and equal treatment of the potential providers. The public procurement procedures aim at a more efficient and transparent use of public funds as well as at increasing competitiveness. The main principles to be followed when procuring goods, services or works are the principles of transparency, non-discrimination and equal treatment. All project partners implementing projects must comply with the relevant public procurement legislation, independently from their legal status.

The rules are set for IPA partners, who shall follow the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two) and the Delegated Regulation (Chapter 3 of Title II of Part Two). The threshold specified in the Delegated Regulation must be followed.

National procurement rules are not applicable under the ADRION programme for IPA partners. (Programme manual 14.4.5)

For the procurement of services, supplies and works, Project Partners (PP) should respect the legal framework applicable to the general budget of the European Union, the Procurement And Grants for European Union external actions - A Practical Guide (the

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PRAG) with its standard documents and templates contained in the various annexes to it and which can be downloaded from the following website:

http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/

For all cases of procurement, the proper audit trail shall be ensured. The selection and contracting procedure, as well as offers received from the tenderers, have to be well documented to ensure transparency of the process.

The Controllers have to check that all procurements are properly procedure selected and documented (sufficient documentation exists: requests for offers, offers received, contracts are available..).

11. PROJECT CHANGES

The rules for project changes under the ADRION Programme Project Partners are obligated to follow prescribed procedure for project changes and Controller shall include the necessary verifications of expenditure with regard to the project changes. (project partner put the document in the attachment of eMS)

12. RETENTION OF DOCUMENTS

The LP and all other PPs of the project are obliged to retain for audit purposes all files, documents and data about the project for a two year period from 31st December following the submission of the accounts in which the final expenditure of the completed project is included. The MA/JS will inform the LP about the beginning of the mentioned two year period.