

To Raphael Scerri, Head of National Contact Point / National Authority

From Marilyn Grima, Senior Manager, Financial Control Unit

Date 31st January 2016

Subject **Approbation Process in connection with Territorial Cooperation Programmes and the ENI CBC Med Programme**

Background

The aim of this Memo is to explain the approbation process between the National Authority (NA) and the Financial Control Unit (FCU).

Process to be followed

- Applications are submitted to the programme through regular calls for proposals. The eligibility check and the quality assessment are carried out by the Joint Secretariat. Each Partner State is in charge of checking the eligibility and, where applicable, of confirming the relevance of each project partner located on its territory. At national level, due diligence checks may be carried out to assess the financial stability of the applicant.
- The final decisions to approve or reject project proposals will be made by the monitoring committee. Hence, all the lead partners of the approved projects will receive a notification letter from the JS stating the decision of the MC. Following this notification projects will be required to satisfy final conditions as requested by the JS by a given deadline. If all conditions are satisfied by the project partners and confirmed by JS the grant agreement may be concluded.
- After the signature of the grant contract by the project partner, given the MT FLC system is decentralised, the project partner shall start the selection process of the auditor, who may be either external or internal, as long as independence from the project activities is ascertained. In case of private external auditors, the auditors shall be selected through an appropriate procurement procedure.
- Further to the selection process, the project partner is to fill in an FLC designation checklist in relation to the proposed controller.
- Once FPD is provided with this document, another check on the proposed FLC will be done by the FPD (ETC Unit and the FCU Unit) in order to confirm that all the requirements as indicated in the *First Level Controller designation checklist* presented by the project partner in relation to the proposed controller are satisfied.
- Once all conditions are satisfied, FPD is to designate the first level control function, pertaining to the relevant project to the respective controller. To this end, an approbation certificate is issued.

- Following the designation of the controller, the partners would be requested to provide the National Authority with the Engagement Letter (as this serves as a contract between the auditor and the project partner)
- The approbation certificate has to be submitted by the project partner with the first progress report. If, during the project implementation, a new first level controller is appointed, the process outlined above is to be repeated and a new approbation certificate has to be provided.
- Once the approbation certificate is issued, the auditor is able to start verifying and checking expenditure within the framework of the project. The verifications to be carried by the controller should cover administrative, financial, technical and physical aspects of the project, as appropriate. Verifications should ensure that:
 - The expenditure declared is real;
 - Co-financed products, services and works were actually delivered. The products or services have been delivered in accordance with the application form and subsidy contract;
 - Expenditure was incurred and paid within the eligible time period of the project and was not previously reported;
 - Expenditure reimbursed on the basis of eligible costs actually incurred is either properly recorded in a separate accounting system or has an adequate accounting code allocated;
 - The necessary audit trail exists and all was available for inspection;
 - The claim for reimbursement by the beneficiary are correct;
 - Expenditure based on simplified cost options is calculated correctly and the calculation method used is appropriate;
 - The project partner and expenditure have complied with the applicable Programme, EU and national rules;

The controller shall provide assurance on the eligibility of the 100% of the expenditure included in each claim for expenditures and shall follow the guidelines stipulated in the Programme manual as well as the national guidelines.

- The on-the-spot checks carried out by the first level controllers are to be documented in their control report. The start date of the on-the-spot check, the amount checked on the spot and the amount certified following the on-the-spot check will also be recorded in the control report. The work performed by the first level controllers and its result are documented in the control report including control

checklist, which will be uploaded in the online system. The certification of expenditure by the FLC is done through the FLC certificate also in the online system (personalized FLC access).

- The first level controller will be then able to check and verify the expenditure also within the system. It will then be sent to the lead partner who will compile and submit the joint progress report to the JS. No paper documents will be requested in the process, but all required documents will be downloadable from the system, if necessary.
- Once the control checklist is uploaded online by the FLC, a copy of the claim is to be sent to the NA by the project partner within 10 working days. The copy of the claim is to be accompanied by all supporting documentation that shall enable the FCU to start its checks.
- The NA will save such claim (and documentation) in P drive and notify the FCU after which the Financial Control Unit can access such and formulate the sample thereof (basis of sampling is explained in Memo 2/2016). Any delays in the submission of the claims will be monitored by the Territorial Cooperation Unit who shall inform the respective partners accordingly.