

Project Implementation Manual

Internal Control System

1. INTRODUCTION	1.1 Purpose and Use 1.2 ENPI CBC Mediterranean Sea Basin Programme Description 1.3 Annotated Glossary & Acronyms
2. UNDERSTANDING CONTRACTUAL OBLIGATIONS	2.1 Contractual Obligations 2.2 Contractual Modifications 2.3 Partnership Agreement 2.4 How to contract the External Auditor
3. PLANNING, MONITORING & AUDITING	3.1 Scheduling and Review of Project Activities 3.2 Financial Planning & 1 tool 3.3 Internal Monitoring System 3.4 Internal Accounting System & Annex 3.5 Internal Control System & Annex
4. PROCUREMENT	4.1 Eligible Costs & 2 tools 4.2 Procurement of Services, Supplies and Works & 4 tools
5. REPORTING	5.1 Reporting (technical part) 5.2 Financial Flows & 1 tool 5.3 Reporting (financial part)
6. COMMUNICATION	6.1 Communication and Visibility Guidelines & Annex

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Ensuring adequate internal controls

The lack of internal control is one of the key risks to EU funds being spent efficiently and in conformity with contract requirements. Setting up adequate control systems is an essential task in the start-up phase of the project.

Internal Control

Internal control is usually defined as “a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.” Therefore, even in the framework of your ENPI-CBC MED project, **internal control** has to be designed to provide **reasonable assurance** that:

- The operations are effective and efficient;
- Financial information is reliable;
- Contractual conditions are met.

The most widely accepted internal control framework has been devised by the Committee on Sponsoring Organisations (COSO) of the Treadway Commission¹.

Key message 1: What are the main **components** of intervention and the consequent general **principles** applicable to internal control?

Components:

- **Internal Control Environment.**
- **Risk Assessment and Management.**
- **Control Activities.**
- **Information and Communication.**
- **Monitoring.**

Principles:

- **Adequate segregation of duties within organisations.**
- **Avoidance of conflicts of interest and confidential payments.**
- **Regular checks.**
- **Prevention of irregularities, fraud and corruption.**

Moreover, in order to ensure an adequate internal control framework and to avoid misunderstandings, it is important to have a written definition of all the responsibilities, tasks and controls within an organisation, including:

- **Written job descriptions**
- **A clear organisation chart**

¹ For more information see <http://www.coso.org/>



- Descriptions (or flow-charts) of the intended flows of transactions, indicating control points

Key message 2: An effective way to cover these topics is to put them into a specially designed project procedures manual!!

Some Examples: focus on financial reporting - basic recommendations (see figure below):

- Segregate management tasks from expenditure authorisation tasks;
- Separate accounting tasks from payment tasks;
- The Project staff timesheets checked by the project manager;
- The Beneficiary obtains organisation manuals from Partners to ensure that general principles are respected;
- The Beneficiary obtains sample copies of supporting documents from the Partners;



Important Last Remarks

Even if the Beneficiary or the Partners are small organizations, internal control systems have to be put in place. Check the adequacy of your system with the **check-list** as annexed to this Factsheet. The check-list is very exhaustive: check which sections are really applicable to your organization and project. **Parts of it may be used by the Beneficiary to ensure that all Partners are sharing the same internal control principles.**

Useful contacts

This document has been drawn up by the JTS officers. For further information, the Beneficiaries can contact the following officer, preferably by email:

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