

Guidelines - PROJECT MONITORING AND PROJECT AUDITING

**The Norwegian Cooperation Programmes
with Bulgaria and Romania**

Implementation period: 30 April 2009 – 30 April 2011

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Part I - Main principles for monitoring and auditing of individual projects

1 Introduction

a) Roles and responsibilities

- The Norwegian Cooperation Programmes are funded by the Norwegian Government.
- The Norwegian Ministry of Foreign Affairs is the owner of the programmes and is financing it.
- Innovation Norway is the fund manager and administrator of the Norwegian Cooperation Programmes and is responsible for the overall monitoring, financial control and auditing of grants awarded in the frame of the programmes. Innovation Norway is also the certifying and paying authority. (Innovation Norway is not a partner in the project implementation.)
- The Project Promoter is fully responsible for project implementation and financial control at individual project level and is reporting to Innovation Norway.
- The Project Partners are responsible towards Project Promoters - to fulfil their tasks and obligations with reference to the Project Partnership Agreement.
- The Romanian Ministry of Public Finance, and the Bulgarian Ministry of Finance, are the National Focal Points in Romania and Bulgaria respectively, and they will support Innovation Norway in the monitoring process.

b) Monitoring obligations are further described in the:

- Memorandum of Understanding for the Implementation of the Norwegian Cooperation Programmes;
- Rules and Procedures for the implementation of the Norwegian Cooperation Programmes;
- Applicant's Guide (AG).

c) Monitoring versus auditing

Monitoring and auditing are related and complement each other. Monitoring concerns progress-tracking and problem identification and resolution, while audits under the programmes concern financial/expenditure certification.

2 Monitoring objectives

Project implementation has started, and Innovation Norway must secure that the implementation is done in line with all the rules of the programmes (as per art. 6.3 in the Applicant's Guide). The purpose of monitoring is to check that projects' progress is in line with the Grant Agreements and to identify potential problems and remedy those in the benefit of the projects as soon as possible. Monitoring will focus on overall project development, results achieved and/or the verification of a payment claim (art. 6.3.1 in the Applicant's Guide).

The Grant Agreements (signed by Project Promoters and Innovation Norway) include the following documents, which are vital for project implementation and monitoring:

- Signed Grant Offer Letter and Standard Terms & Conditions;
- Approved and signed Project Implementation Plan (PIP);
- Approved and signed detailed budget;
- Approved and signed Disbursement Plan including agreed principles for auditing.
- Other relevant documents, as per art. 4.2. of the Grant Offer Letters.

3 Selection of projects for monitoring

All projects will be monitored according to art. 6.3.2 and 6.4 in Applicant's Guide. There are four types of monitoring:

- *General/regular monitoring* (based on the check of the interim reports/payment claims) will be the 'default' rule via regular phone/e-mail contacts with the Promoters and Partners, participation in project events where invited and desk-checks, and eventually on-the-spot checks, in connection with all interim reports/payment claims.
- *Mandatory monitoring* - all projects above EUR 2.5 mill. grant element will be monitored on-the-spot at least once during project implementation (following two weeks' prior notice).
- *Random monitoring* - any project below EUR 2.5 mill. grant element can be selected for random on-the-spot monitoring (following two weeks' prior notice).
- *Specific monitoring* - any project irrespective of its size - can be selected for any specific on-the-spot monitoring (without any prior notice or on short notice).

4 The monitoring process

The general/regular monitoring will be carried out by Innovation Norway itself. The mandatory, random and specific monitoring will normally be carried out by an independent monitoring agent (consultant, technical expert, lawyer company, auditing company etc.) contracted by Innovation Norway. Innovation Norway may alternatively decide to carry out the monitoring itself, subject to decision by Innovation Norway programme management and the available expertise and human resources. The National Focal Points participation may also be requested (art. 6.3.2 in Applicant's Guide).

The monitoring will include assessment of the Interim Reports (submitted by the Promoters), identification of risks factors and risk mitigation measures and on the spot checks. Such site visits shall, whenever practicable, be announced at least two weeks in advance in order to allow for the project Promoter to be prepared. During the monitoring activities, the project Promoter shall make reasonable efforts to provide Innovation Norway with any required information and relevant personnel available.

In some cases it may also be necessary to visit stakeholders other than the Project Promoter, such as partner(s), target groups, or others in order to cover all relevant aspects of the situation. The scope and content of the on-the-spot monitoring visit are presented as a checklist and reporting template.

The check-list is not meant to include all topics that may be relevant for the monitoring. Innovation Norway/monitoring agent may adjust the topics for each monitoring activity/project, as appropriate. It is up to the professional judgement of the monitoring personnel to decide when other topics are relevant, and to include them in the report.

All on-the-spot visits by Innovation Norway and/or monitoring agents contracted by Innovation Norway shall be documented. Reports will be made available to Project Promoters, Partners, the Norwegian Ministry of Foreign Affairs and the National Focal Points.

5 Auditing

- All projects will be audited as explained in the FAQ section focusing on audits, i.e. with every payment claim for projects with total budgets equal to, or above, EUR 500 000 or only once at project-end for project with total budget below EUR 500 000, unless otherwise agreed upon in the Disbursement Plan that is part of the Grant Agreement Package. All projects must have the audits included in their budget. The audits shall be carried out by certified auditors as per the relevant law and as explained in the FAQ section on audits.

- Where Task Managers feel the need for an 'audit of the auditor' (big-size projects; many partners and technically highly complex projects with potential 'financial complications' – or for whatever reason) – the relevant project can be subject to specific auditing from hired assistance (preferably the big FOUR/FIVE).
- In addition to that any project can be audited by the Office of the General Auditor in Norway as per the Rules and Procedures.