

## Glossary of Terms and Abbreviations

Administrative verification	Control checks based on documents provided by beneficiaries undertaken by first level controllers (and managing authorities) in their own offices. For the purpose of this compendium usually understood as referring to checks undertaken by first level controllers.
Audit trail	Documentation of detailed transactions supporting summary ledger entries. In most cases this is simply a matter of storing the invoices issued for products and services delivered. The Managing Authority keeps a record of where all of these documents are stored (most of them will be in project offices) so that controllers can always know where to check if they have questions.
Check of completeness	Checking whether or not information and documentation provided by the beneficiary is complete.
Check of compliance with EU and national legislation, OP and contract	Checking whether or not the beneficiary/the project fulfils legislative, OP and contractual requirements.
Check of Existence and Reality	Checking whether or not the beneficiary, the project, the product, a service or a situation exists in reality as it is described in project reports, project documents or oral explanations.
Check of Plausibility	Checking whether a project-related issue as outlined in project documents or described by the beneficiary is plausible (i.e., credible and probable).
Checklist	List summarising required control checks in a specific order.
Closing Interview	A general interview of the beneficiary at the end of an on-the-spot check with the intention of clarifying control results and errors detected. Often conducted with the organisation's head or project manager.
Common practice	Practice widely used by controllers.
Control memo	Document prepared by controllers in order to document a specific issue assessed. They are mostly intended for internal use only.
Control report	Document that outlines all important circumstances while planning and executing the control of a particular beneficiary and project.
Cost shares	Cases in which costs incurred by a beneficiary are only partly allocated to the project. Examples for 'cost shares' are overhead costs, staff costs only partially allocated to the project (e.g., in case of staff members working part-time on the project), an invoice distributed among several cost centres and depreciation of equipment only partly used for the project. They are not to be confused with 'shared costs'

	(i.e., costs shared among partners of a project).
Cross-references ('x-ref')	References from one document to another; e.g., 'x-ref H-4'
Defined tick marks	Tick marks with a defined meaning, such as 'check of actual payment', 'cost item belongs to project' or 'cost item is allocated to the correct cost centre'. Can be used by controllers in order to document their control work performed.
Entity	Person, partnership, organisation or business unit, which has legal existence, for which accounting records are kept and about which financial statements are prepared
ETC	European Territorial Cooperation
FLC	First level control
FLC certificate	Verification and confirmation by an independent controller in accordance with the first level control system set up by each member state and programme requirements.
FLC documentation	A hard copy or electronic record of (1) the various controls performed by a controller, (2) the results and relevant evidence obtained through these controls and (3) the conclusions reached and corrective measures taken.
FLC procedure	A sequence of activities that produces a described result, product or outcome. For the purpose of this compendium usually understood as referring to first level control procedures with a specific control objective.
FLC standard work programme	Usually check lists describe the FLC standard work programme. Sometimes further descriptions exist, e.g., in FLC manuals. The FLC work programme outlines the set of controls that controllers perform. The FLC work programme varies among FLC systems and programmes and can also vary with the type of project, beneficiary and risks identified. The standard work programme can be included in the control report.
FLC Working papers	All documentation of control procedures performed, relevant control evidence obtained and conclusions the first level controller reached.
Indexation	Putting index numbers on documents for future easy reference.
Inquiry	A documented discussion with a beneficiary.
Inspection of documents and records	The reading and understanding of any relevant document, electronic record or print out of an electronic record.
Internal controls	Systematic controls (such as reviews, checks, quality assurance, etc.) applied by an organisation.
International Audit Standards (ISA)	Audit standards issued by the International Federation of Accountants (IFAC; <a href="http://www.ifac.org/">http://www.ifac.org/</a> ). Second Level Control-but not FLC - is obliged to use ISA or other international audit standards: According to Article 62 (EC) No 1083/2006, 'The

	audit authority shall ensure that the audit work takes account of internationally accepted audit standards.'
Interview	An extensive inquiry. A documented discussion with a beneficiary on complex matters.
MA	Managing authority
Material misstatement	A misstatement of the financial report is material, if it exceeds the threshold or cut-off point of error (= ineligible expenditure), which the users of the financial report (i.e., managing authority, audit authority or others) would accept, without concluding that the financial report contains too much ineligible expenditure. As second level control needs to comply with EU Regulations, a materiality level of 2% of the declared expenditure could in theory be deemed appropriate for first level control as well. However, first level controllers need to decide on the materiality level in compliance with their applicable first level control system. FLC systems often do not define a materiality level or ask for a materiality level of 0%, meaning that no ineligible expenditure at all is accepted by first level control.
Misstatement	A misstatement of the financial statement (=financial report) that can arise from fraud or error. See also: Material misstatement
Observation of events and processes	Watching people while they execute project-related activities such as an event or an internal accounting process.
On-the-spot verification	Control checks undertaken by first level controllers (and managing authorities) on the premises of a beneficiary or any other project-related site. For the purpose of this compendium usually understood as referring to checks undertaken by first level controllers.
OP	Operational programme
Opening Interview	A general interview of the beneficiary at the beginning of an on-the-spot check with the intention to obtain an understanding of the beneficiary, its processes, its organisation, its environment, and the project. Often conducted with the organisation's head or project manager.
Professional judgment	The application of relevant training, knowledge and experience, within the context provided by control, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the first level control work.
Project cost centre	Distinctly identifiable costs within the beneficiary's accounting system
Re-calculation	Re-performing a calculation of the beneficiary (e.g., a cost-share allocated to the project).
Reconciliation	Checking whether a figure included in one document is identical with the same figure included in another document

	(e.g., comparing figures in the bank account statement with the list of expenditure).
Risk	Potential error source. For the purpose of this compendium usually understood as potential error source in the financial report of the beneficiary.
Risk of material misstatement	The risk that the financial report of the beneficiary is materially misstated prior to first level control.
Risk assessment	Analysis of potential error sources for the project's financial report. Risk assessment may be reflected in controller's planning of the control work (e.g. what to do on-the-spot).
Risk assessment procedures	The first level control procedures performed to obtain an understanding of the beneficiary, its environment and the project, to identify and assess the risks of material misstatement of the financial report, whether due to fraud or error.
Risk considerations	See "Risk assessment".
Shared costs	Costs shared among partners of a project. Sometimes they are also called 'common costs' as these costs are common to all partners. Examples can include costs for a common webpage or external expertise for project management, which are shared by all partners. They are not to be confused with 'cost shares' (i.e., cost incurred by a beneficiary are only partially allocated to a project).
SLC	Second level control
Specific interview	An interview or obtaining information on specific (e.g., high risk) issues or transactions. Often conducted with the person responsible for the issue/transaction (e.g., project accountant)
Subsidy contract	Grant agreement between the contracting authority (managing authority) and the lead beneficiary
Sub-procedure	For the purpose of this compendium usually understood as referring ancillary control procedures, which are often used to perform substantive control procedures.
Substantive control procedures	Control procedures designed to detect material misstatements in the financial report.
Territorial cooperation programmes	Used for the purpose of this compendium to refer to European territorial cooperation (ETC) programmes between member states AND to cooperation programmes between member states and IPA (Instrument for Pre-accession Assistance) countries (IPA CBC programmes) under shared management.
Tick marks	see "defined tick-marks".
Walk-through	Tracing of a specific process or transaction of a beneficiary step by step

<a href="#">Work-flow</a>	Progression of steps (tasks, event, interactions) that comprise a work process.
<a href="#">Working paper index</a>	A cover sheet that outlines organisation and indexation of the working papers. Logically arranged list of items.