

ANNEX A

THE CZECH REPUBLIC MANAGERIAL SET-UP FOR THE IMPLEMENTATION OF THE EEA AND NORWEGIAN FINANCIAL MECHANISMS

1. THE NATIONAL FOCAL POINT (NFP) – THE MINISTRY OF FINANCE

In accordance with **Government Resolution No. 242**, of March 17, 2004, the **Ministry of Finance will act as the National Focal Point** (NFP) for the EEA/Norwegian Financial Mechanisms.

As the National Focal Point, the Ministry of Finance has the overall responsibility for managing the activities of the EEA/Norwegian Financial Mechanisms in the Czech Republic in accordance with this Memorandum of Understanding and the Rules and Procedures. The NFP will:

- have overall responsibility for reaching the Financial Mechanisms' objectives and the use of funds, financial control and audit,
- collect project proposals and submit them with justified opinion to the Financial Mechanism Office (FMO),
- manage financial flows and proof of expenditures according to Grant Agreements,
- draw up annual reports for submission to the FMO,
- ensure complete and sufficient audit trails in relevant institutions,
- ensure information and publicity on availability of funds.

The roles of the National Focal Point and the Monitoring Committee are described below and will also be elaborated in the Grant Agreements between the Financial Mechanisms and the National Focal Point.

2. DIVISION OF RESPONSIBILITIES

The administrative structure is based on the structure set up for previous EU programmes (Phare / Transition Facility) as well as the Cohesion and the Structural Funds. It is made up of the following bodies:

- **The Centre for Foreign Assistance (CFA)**, which is the executive body of the National Aid Coordinator (NAC). It is set up under the direction of the Deputy Minister of Finance, who is responsible for international relations as well as for the coordination, preparation and monitoring of the implementation of foreign assistance.
- **The Monitoring Committee (MC)**, which will assist the National Focal Point in the selection and management of projects. The Minister of Finance will appoint the members of the Monitoring Committee on the basis of proposals from the relevant Ministers or Heads of Institutions.
- **The National Fund (NF)**, which is the executive body of the National Authorising Officer (NAO). It is set up under the direction of the 1st Deputy Minister of Finance, who is responsible for the state budget.
- **The Central Finance and Contracts Unit (CFCU)**, which is an independent unit directly subordinate to the Deputy Minister of Finance. The CFCU is the implementing agency of the centrally administered projects and is responsible for payments to the intermediary bodies and appropriate final beneficiaries. For payments the CFCU is directly accountable to the NAO.

- **The National Control Authority, the Central Harmonisation Unit for Financial Control**, which is directly subordinate to the Minister of Finance.

2.1 ADMINISTRATION – PROJECT SELECTION – MONITORING

THE CENTRE FOR FOREIGN ASSISTANCE (CFA) THE UNIT FOR COORDINATION OF FOREIGN ASSISTANCE (UCFA)

The Unit will be responsible for the overall administration, coordination and the use of funds from the Financial Mechanisms. It will:

- a) handle the administration of the National Focal Point (NFP)
- b) prepare all key documents required by the FMO in cooperation with the Ministry of Foreign Affairs and other entities
- c) serve as a secretariat for the Financial Mechanisms Joint Annual Meeting (AM) with the Focal Point and prepare Annual Monitoring Reports
- d) serve as a secretariat of the Monitoring Committee (MC)
- e) prepare proposals of the priority areas and present them to the FMO for approval
- f) provide an assessment of project proposals, submitted by the intermediary bodies, to the MC
- g) submit approved project proposals to the FMO
- h) ensure overall coordination and complementarities of the Financial Mechanisms with EU funds, in cooperation with other relevant national authorities and bodies
- i) prepare detailed rules for the preparation, selection, implementation, co-financing, monitoring and evaluation of projects financed by the Financial Mechanisms
- j) assist in the preparation of the Grant Agreements
- k) ensure regular monitoring of projects and prepare monitoring reports
- l) ensure the overall publicity of the Financial Mechanisms
- m) keep originals of relevant documents for 10 years after completion of projects

MONITORING COMMITTEE (MC)

The Committee will assist the National Focal Point in the selection and management of projects. It will:

- recommend project proposals to the National Focal Point for submission to the FMO,
- monitor compliance with the Rules and Procedures,
- review overall progress and financial reports,
- approve the Annual Monitoring Report prepared by the National Focal Point

The Minister of Finance will appoint the members of the Monitoring Committee on the basis of proposals from the relevant Ministers or Heads of Institutions. They will represent ministries, public administration offices, Social Partners, the non-governmental sector, regional and local government and other relevant bodies.

The FMO and, where appropriate, representatives of other institutions and organisations, will be invited to observe the meetings of the Committee.

2.2. FINANCIAL FLOWS

DEPARTMENT – NATIONAL FUND (NF)

The NF is the central body responsible for transferring funds between the Czech Republic and the FMO. It will:

- a) open bank accounts in the Czech National Bank for the transfer of funds from the Financial Mechanisms to the Czech Republic
- b) request the transfer of funds from the Financial Mechanisms to the NF bank account on the basis of the relevant documentation summarising information on actual expenditures incurred during projects implementation or, if appropriate, submit requests for advance payments
- c) transfer funds to the bank accounts of the Ministry of Finance administered by the CFCU on the basis of the CFCU request. The request must be supported by documents on payments executed or, if appropriate, by requests for advance payments submitted by intermediary bodies and/or final beneficiaries
- d) ensure reimbursement of unused or unduly paid funds to the Financial Mechanisms
- e) set and adjust the methodology governing financial flows from the EEA/Norwegian Financial Mechanisms
- f) conduct accounting in the NF information system on all financial transactions realised on the accounts of the Ministry of Finance, which were opened for funds from the EEA/Norwegian Financial Mechanisms
- g) keep originals of relevant documents for 10 years after completion of projects

INDEPENDENT UNIT - THE CENTRAL FINANCE AND CONTRACTS UNIT (CFCU)

The Unit is responsible for payments to the intermediary bodies / final beneficiaries and the preparation of related contracts. It will:

- a) ensure conclusion of contracts with Intermediary Bodies or final beneficiaries
- b) check the factual and formal correctness of requests for payment submitted by Intermediary bodies / final beneficiaries
- c) ensure payments to Intermediary bodies or final beneficiaries within 10 days from approval of all the necessary documents by the NFP (CFA – UCFA)
- d) conduct accounting in the NF information system, including relevant information on accounts, requests, payments and reimbursements, on all financial transactions realised on the accounts of the Ministry of Finance, which were opened for funds from the EEA/Norwegian Financial Mechanisms and which are administered by the CFCU
- e) prepare and submit regular reports to the NF in the required format as a basis of the request for the transfer of funds to the NF and CFCU
- f) manage the register of irregularities and its update as well as report irregularities to Central Harmonisation Unit for Financial control and NF
- g) settle irregularities in its scope of function in accordance with the relevant regulations and instructions
- h) prepare background documentation for the Annual Monitoring Report
- i) keep originals of relevant documents 10 years after completion of projects

2.3. FINANCIAL CONTROL – AUDIT¹

DEPARTMENT – CENTRAL HARMONISATION UNIT FOR FINANCIAL CONTROL (CHU)

The CHU is the department of the Ministry of Finance authorised to execute functions of the central administrative body for financial control in line with Act No. 320/2001 Coll., on financial control. Its tasks are to:

- a) methodically manage and coordinate the execution of financial control of the entire implementation structure
- b) cooperate with financial control and internal audit departments at all levels and provide consultancy and training during implementation of the EEA/Norwegian Financial Mechanisms
- c) prepare the plan of control activities on the basis of the plans proposed by the control units of the central administrative bodies for the given period and inform the FMO on its fulfilment
- d) execute audit of the system of control in order to guarantee observation of international standards of financial control
- e) prepare a report on controls of utilisation of funds from the EEA/Norwegian Financial Mechanisms on the basis of annual report on outcomes of financial controls, which are submitted to CHU by control units of the central administrative bodies within the given deadline. This report will be annexed to the Annual Monitoring Report
- f) inform the State Prosecution Office (copy to NFP and NF) in cases of significant irregularity and breach of *Rules and Procedures* and other related rules
- g) cooperate on controls and internal audits managed by the FMO, the EEA Financial Mechanism Committee, the Norwegian MFA, the EFTA Board of Auditors and the Office of the Norwegian Auditor General and provide all necessary information to the above mentioned bodies
- h) archive originals of relevant documents for 10 years after completion of projects

In addition, central bodies and regional self-government bodies at the level of “kraj” and municipality have been obliged by law to set up a system of management control and a functionally independent system of internal audit. At the Ministry of Finance the function of the internal audit is provided by Department 56 – Internal Audit.

The Supreme Audit Office executes independent control according to the relevant provisions of the Act No. 166/1993 Coll. on the Supreme Audit Office. The Focal Point will provide the FMO with copies of any reports the Supreme Audit Office makes with regard to the Financial Mechanisms.

3. INTERMEDIARY BODIES

On the basis of an agreement with the Financial Mechanism Office, the NFP will delegate some responsibilities of project preparation and implementation to Intermediary Bodies (relevant ministries, regional governments, relevant organisations of public administration and other agreed bodies). The Intermediary Body will ensure all activities related to these responsibilities including project co-financing. Their detailed responsibility will be defined in the Agreement or Memorandum of Understanding between the Intermediary Body and the Ministry of Finance – NFP (CFA – Unit for Coordination of Foreign Assistance).

¹ The control and audit will be executed in accordance with the provisions of Act No. 320/2001 Coll., on financial control within public administration and on changes of some acts as amended and Act No. 420/2004 Coll. on the audit of economic activities of territorial self-governing units and voluntary alliances.