



Danube Control Guidelines

for the period 2014-2020

Version 7.0 (16 July 2020)

Disclaimer:

This document will be regularly updated to take into account new or updated implementation provisions.



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List of versions of the Control Guidelines

Version	Date	Description
1.0	December 2016	First version
2.0	July 2017	Second version
3.0	April 2018	Third version
4.0	September 2018	Fourth version
5.0	November 2018	Fifth version
6.0	April 2019	Sixth version
7.0	July 2020	Seventh version

Glossary

Application for Reimbursement

The Application for Reimbursement (AfR) is the document submitted by the Lead Partner to the MA/JS to claim the reimbursement of ERDF, IPA and ENI contribution for the expenditure incurred and paid by the Project Partners within a certain reporting period and validated by the responsible Controllers.

Audit

The term “Audit” is used for the audit performed by the Audit Authority or by external auditors on behalf of the Audit Authority. These audits cover system audits and sample checks of the already validated project expenditure.

Control

The control activity means the verifications carried out by the Controllers at national level, covering administrative, financial, technical and physical aspects of the projects. Verifications shall ensure that the expenditure declared is real, that the products and services have been delivered, and that the projects and expenditure comply with relevant EU, programme and national rules.

Controller/First Level Controller (FLC)

The term Controller is used for a body or for an individual in charge of performing verifications according to Article 125 (4) and (5) of Regulation (EU) No. 1303/2013, in line with the control system in the given Partner State. FLC is used as a synonym for Controller.

FLC Certificate

The FLC Certificate is the document issued by the Controller to the Project Partner/TA beneficiary containing the amount of validated expenditure for the reporting period concerned. By issuing this document, the Controller declares the legality and regularity of the expenditure according to EU, programme and national rules.

Control system

The Control System is established to validate the expenditure of the Project Partners at national level. In the Danube Transnational Programme, it is the responsibility of the Partner States to set up the control system (Article 23 (4) of Regulation (EU) No. 1299/2013).

Designated Controller

The designated Controller is a formally designated responsible body at national level for the control activities. In case of decentralised systems, the formally designated body is responsible for the coordination of control activities, in principle including the proper selection of the individual Controllers to each Project Partners as well.

Electronic Monitoring System (eMS)

The eMS is the electronic data exchange system used by the Danube Transnational Programme, developed by Interact, for the management and monitoring of programme and project level implementation (including the first level control tasks).

Partner Report

The Partner Report is the standard reporting form to be used by each Project Partner to provide adequate information for the Controller and for the Lead Partner concerning the activity and financial progress of their project part.

Project Progress Report

The Project Progress Report is the monitoring tool of the programme that the Lead Partners submit regularly in order to provide up-to-date information about the progress of the project implementation as well as justify those expenditure that are claimed in the Application for Reimbursement submitted together with the Project Progress Report.

State contribution

The state contribution means the public contribution provided by the Partner State automatically or by specific calls at national level to the Project Partner.

Validation

The validation is the result of the verifications carried out in order to verify the legality and regularity of the project expenditure declared by the Project Partner.

Verification of expenditure

Verification of expenditure means the process of “checks” carried out by the Controllers for specific aspects of the project expenditure declared by the Project Partners.

1. Introduction

The **Danube Control Guidelines** are developed at programme level, in order to ensure the common understanding of the rules and the requirements for control and to provide common methodological approach to fulfil the verification of expenditure in a harmonised way in each ERDF Member State as well as IPA and ENI Partner State (further referred to as Partner States) of the Danube Transnational Programme.

The Danube Control Guidelines are to support the work of the Controllers and provide a basis for the national level guidelines (if applicable). The communication between the Danube Transnational Programme (DTP) and the Controllers is ensured through the **Network of Controllers** and the results of these consultations will be taken into consideration when updating and revising this document.

The Danube Control Guidelines describe the tasks of the Controllers in case of each project type (e.g. normal projects, TA projects, PAC support¹, SMF projects², DSP project³) financed and implemented under the DTP. The 'project' in the documents means all project types, unless otherwise stated. The differences, if any are indicated in the relevant sections (e.g. section 6. verification of TA expenditure, etc.).

Please, note that in case of projects approved under the Seed Money Facility (SMF) call or Danube Strategy Point (DSP) call the relevant Programme Manual available in the DTP website (<http://www.interreg-danube.eu/>) under the call concerned contains the limitation of expenditure categories and the list of selected expenditure elements set at programme level.

2. Regulatory framework and documents related to Control

2.1 EU Regulations

The Danube Transnational Programme is financed from ERDF, IPA and ENI funding; therefore several EU Regulations shall be considered for the financial management of the programme. General regulations, as well as specific regulations relevant for the DTP are collected in this section.

¹ The DTP, under the specific objective 4.2 "Support to the governance and implementation of the EUSDR", provides direct financial support to the Priority Areas Coordinators (PAC) aimed at strengthening the implementation of the EU Strategy for Danube Region.

² Under the specific objective 4.2 the DTP established a seed money facility (SMF), a direct financial support scheme for the development of complex strategic transnational projects in some Priority Areas of the EUSDR, to be further financed by different funding sources existing in the region.

³ Under the specific objective 4.2 the DTP provides support to the establishment and implementation of the Danube Strategy Point (DSP) aimed at facilitating the information flow between EUSDR actors, as well as strengthening the capacity of the PAC in implementing and communicating the Strategy.

The following regulations shall be considered (not exhaustive list):

General regulatory framework on the financial management of EU funded programmes:

- Regulation (EU, Euratom) No. **2018/1046** of the European Parliament and of the Council of 18 July 2018 **on the financial rules applicable to the general budget of the Union** amending Regulations (EU) No. 1296/2013, (EU) No. 1301/2013, (EU) No. 1303/2013, (EU) No. 1304/2013, (EU) No. 1309/2013, (EU) No. 1316/2013, (EU) No. 223/2014, (EU) No. 283/2014, and Decision No. 541/2014/EU and repealing Regulation (EU, Euratom) No. 966/2012 (hereinafter referred to as Financial Regulation).
- Commission Decision (EU) No. **2018/1520** of 9 October 2018 repealing Delegated Regulation (EU) No. 1268/2012 (hereinafter referred to as Delegated Regulation) on the rules of application of Regulation (EU, Euratom) No. 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

General rules concerning the EU Funds:

- **Regulation (EU) No. 1303/2013** of the European Parliament and the Council of 17 December 2013 laying down **common provisions on the European Regional Development Fund**, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No. 1083/2006 (**Common Provisions Regulation**)
- **Regulation (EU) No. 1301/2013** of the European Parliament and the Council of 17 December 2013 **on the European Regional Development Fund** and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No. 1080/2006 (**ERDF regulation**)
- **Regulation (EU) No. 1299/2013** of the European Parliament and the Council of 17 December 2013 on **specific provisions for the support from the European Regional Development Fund to the European Territorial Cooperation goal (ETC regulation)**
- Commission **Delegated Regulation (EU) No. 481/2014** of 4 March 2014 supplementing Regulation (EU) No. 1299/2013 of the European Parliament and the Council with regard to **specific rules on eligibility of expenditure for cooperation programmes (Delegated Act on Eligibility of expenditure)**
- **Regulation (EU) No. 231/2014** of the European Parliament and of the Council of 11 March 2014, establishing an **Instrument for Pre-Accession Assistance (IPA II)**

- Commission **Implementing Regulation (EU) No. 447/2014** of 2 May 2014 on **specific rules for implementing** Regulation (EU) No. 231/2014 of the European Parliament and the Council establishing an Instrument for Pre-Accession Assistance (**IPA II**)
- **Regulation (EU) No. 232/2014** of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (**ENI**)
- **Regulation (EU) No. 236/2014** of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action (**Common Implementing Regulation for External Actions**)

The list of regulations is not exhaustive and the amendments of the above regulations shall be also considered.

Further rules to be considered (including amendments to the rules):

- **Regulation (EU) No. 910/2014** of the European Parliament and of the Council of 23 July 2014 on **electronic identification and trust services for electronic transactions** in the internal market and repealing Directive 1999/93/EC
- **Implementing acts** and **Delegated acts** adopted in accordance with the aforementioned regulations
- **Guidance** issued by the European Commission relevant for the project financial management and verification of expenditure

Control related Articles of the abovementioned regulations:

The following articles are regulating the **setting up the control system** and requirements for the **verification of expenditure**:

- **Article 23 (4)** of Regulation (EU) No. 1299/2013 (ETC Regulation) – setting up the control system
- **Article 125 (4)** of Regulation (EU) No. 1303/2013 (CPR) – verification of expenditure
- **Article 125 (5)** of Regulation (EU) No. 1303/2013 (CPR) – verification procedures

The EU regulations relevant for the **eligibility of expenditure** are the following:

- **Article 3** of Regulation (EU) No. 1301/2013 (**ERDF Regulation**) – scope of support from the ERDF, i.e. specific provisions on the eligibility of activities
- **Articles 6** of Regulation (EU) No. 1303/2013 (**CPR**) – regulates the “applicable law”
- **Articles 65 to 71** of Regulation (EU) No. 1303/2013 (**CPR**) – specific provisions on eligibility of expenditure

- **Articles 18 to 20** of Regulation (EU) No. 1299/2013 (**ETC Regulation**) – specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal
- Commission **Delegated Regulation** (EU) No. 481/2014 – specific rules on eligibility of expenditure for cooperation programmes, with regard to the following **expenditure categories**: staff costs, office and administrative expenditure, travel and accommodation costs, external expertise and service costs, and equipment expenditure

2.2 Programme level documents

The following programme level documents have to be considered by the Controllers:

- **Cooperation Programme – Danube Transnational Programme 2014-2020**, approved by the European Commission on 20.08.2015, Decision No. C(2015) 5953, amended by the European Commission on 12.06.2017, Decision No. C(2017) 4091 and amended by the European Commission on 23.01.2019, Decision No. C(2019) 602
- **Applicants' Manuals**⁴ which contain the programme specific rules for the eligibility of expenditure
- **Implementation Manuals**⁵ laying down the programme specific rules for the implementation of the projects within the Danube Transnational Programme
- **Programme Manuals**⁶ laying down the programme rules, including the eligibility of expenditure, for the application and implementation of the projects under a specific call within the Danube Transnational Programme
- **Danube TA Manual** regulating the TA management system of the Danube Transnational Programme, laying down the rules on eligibility of expenditure, including the checks to be performed by the Controllers.
- **Eligibility of project expenditure** annexed to this document, laying down the rules on eligibility of expenditure, including the checks to be performed by the Controllers.

The amendments of the above mentioned documents shall be also considered.

⁴ Different applicants' manuals are available by project types (e.g. normal project, PAC support).

⁵ Different implementation manuals are available by project types (e.g. normal project, PAC support.).

⁶ Different programme manuals are available by project types (e.g. SMF project, DSP project)

2.3 Standard documents for Control

The Danube Transnational Programme developed **standard templates at programme level** in order to **harmonise and simplify the control procedures** in the Partner States of the DTP. The use of these templates is obligatory for the Controllers within the framework of the DTP.

These documents are **annexed** to this guidelines and further explanation and guidance to fill in the templates is given in the following chapters.

- **Control System description template (Annex 8.1)**
- **Form for the designation of Controller (Annex 8.2)**
- **FLC Certificate (Annex 8.3)**
- **FLC Checklist for projects (Annex 8.4)**
- **FLC Checklist for TA projects (Annex 8.5)**

3. Control procedure in the Danube Transnational Programme

3.1 Financial management procedure

The procedure for control in the Danube Transnational Programme follows the Lead Partner principle, which means that the verification of expenditure is performed for each Project Partner by the responsible Controller at national level and the Lead Partner is responsible to prepare the Application for Reimbursement at project level based on the expenditure validated at partner level.

The procedure is the following:

- 1) Each Project Partner as well as the Lead Partner (in this case the Lead Partner is also considered as Project Partner) has to submit a Partner Report to declare their expenditure relevant for a reporting period for verification to the responsible Controller through the electronic data exchange system (eMS). Each Project Partner including the Lead Partner is responsible separately for having its expenditure validated by the responsible Controller in its Partner State. The Lead Partner is not requested to appoint a Controller for checking the expenditure declared by the Project Partners, thus the Controller of the Lead Partner does not issue a FLC Certificate covering the entire validated expenditure of the whole partnership.
- 2) The Controller verifies the expenditure declared by the Project Partner/Lead Partner in the eMS, on the basis of the invoices or accounting documents of equivalent probative value, verifies the delivery of the products and services co-financed, the soundness of the expenditure declared, and the compliance of such expenditure with EU and programme rules and relevant national rules.
- 3) After verification, the Controller issues the FLC Certificate generated by the eMS.

- 4) After the verification is finalised by the Controller in the eMS and the FLC Certificate is issued, the Partner Reports and the related FLC Certificates are available to the Lead Partner in the eMS for review and preparation of the Project Progress Report (no need for additional submission of the Partner Report and FLC Certificate from the Project Partner to Lead Partner).
- 5) The Lead Partner prepares the Project Progress Report in the eMS based on the Partner Reports available in the eMS. The expenditure verified by the Controllers (i.e. financial data of the FLC Certificate) is automatically aggregated to project level. Based on the aggregated financial data the Lead Partner shall prepare the Application for Reimbursement, sign it and upload it to eMS.
- 6) The Lead Partner has to submit the Project Progress Report and the Application for Reimbursement to the MA/JS through the eMS within a period of 3 months from the end of each reporting period.

3.2 Reporting rules and timeframe of verifications

3.2.1 Reporting rules

As a general rule, the Lead Partner has to submit the Project Progress Report and the Application for Reimbursement on a **six months basis, starting from the month of the approval date of the project** (final approval of the Application Form by the MC) except the first and the last reporting period that can be different than six months. It means that the majority of **the Lead Partners of the same call for proposals will have the same reporting deadlines⁷**. Reporting deadlines will be given for the LPs explicitly in the subsidy contracts.

In case of **PAC support**, the Lead Partner has to submit the Project Progress Report and the Application for Reimbursement on a yearly basis, however, according to the needs of the project, the LP may submit Interim Project Progress Reports and Application for Reimbursements up to four times each year.

In case of **SMF projects** the project duration (implementation of project activities) is fixed in 12 months. The start and the end dates of the project are specified in the Subsidy Contract. The LP has to submit the Project Progress Report, including the Application for Reimbursement, once, at the end of the project implementation, within 3 months from the end date of the project as defined in the Subsidy Contract.

⁷ The projects approved after a complaint procedure and/or from reserve list have different deadlines, calculated individually from the approval date.

Additional interim reporting deadlines may be set by the MA/JS in order to avoid de-commitment of EU Funds at programme level. Additional reporting possibilities can be requested by the Lead Partner as well in duly justified cases, e.g. to split the expenditure of the last reporting period into two reports in case the reporting period is more than six months.

These additional deadlines may be set explicitly in the subsidy contract or communicated in advance to the Lead Partners and to the Controllers.

The Project Progress Report and the Application for Reimbursement have to be submitted by the Lead Partner to the MA/JS **within three months from the end date of each reporting period**. The date of submission of the Project Progress Report and Application for Reimbursement is the date and time of the online submission of the report through the eMS.

In case the Partner Reports and FLC Certificates are not available to the Lead Partner from each Project Partner for the given reporting period by the reporting deadline in the eMS, the LP shall submit the Application for Reimbursement on the basis of the Partner Reports and FLC Certificates available until the reporting deadline.

The expenditure of the Project Partners not validated for the given reporting period until the reporting deadline shall be included in the subsequent Application for Reimbursement to the reporting period concerned.

Project Partners can submit maximum two Partner Reports belonging to different reporting periods (a current and the previous one) for verification at one time. In this case two FLC Certificates will be included in one Project Progress Report by the LP. As a consequence, the PPs are bound to report expenditure in due time, since the acceptable maximum delay is 1 reporting period. In case a partner report is not acceptable by the Controller until the reporting deadline of the LP, the FLC Certificate of this Partner Report can be included in the next Project Progress Report, together with the FLC Certificate of the current Partner Report. In duly justified cases the MA/JS is entitled to authorize derogation from this rule in order to reduce possible losses at programme level.

Project periods shall not be merged by the Project Partners/Controllers.

3.2.2 Timeframe of verifications

During the timeframe of three months, the Controllers shall verify the expenditure of the Project Partners in due time, in order to ensure the timely submission of the Project Progress Report and Application for Reimbursement at project level.

Considering the timeframe needed for the preparation of the Partner Report at Project Partner level and the preparation of the Project Progress Report and Application for Reimbursement by

the Lead Partner, the Controllers shall fulfil the verification of expenditure within **60 calendar days**⁸.

Verification process	Verification timeframe and indicative deadlines		
Preparation and submission of the Partner Report by the Project Partner to the Controller from the end of each reporting period	15 days		
Verification of expenditure and issuing the FLC Certificate by the Controller		60 days	
Preparation and submission of the Project Progress Report and Application for Reimbursement for the whole project by the Lead Partner to the MA/JS			15 days

The Controllers **can set up different reporting deadlines for the Project Partners** (instead of 15 calendar days) in the national control guidelines, if any.

In order to set up proper control deadlines, the number of Project Partners for the same reporting period and applicable to different calls as well as the number of staff involved in control activities shall be considered. The time schedule of the call for proposals of the Danube Transnational Programme will be regularly communicated to the Controllers to facilitate planning their capacities more efficiently.

Project Partners' responsibility to submit the expenditure for verification in time shall be clearly mentioned in the national guidelines (if applicable). In case less than 60 days are available for validation by the Controller, the submission deadline of the Project Progress Report and Application for Reimbursement might be missed jeopardizing the due reimbursement of expenditure to the project.

⁸ **Cooperation Programme (CP) 5.3.8 Control System:** "In principle, each Partner State should ensure that the expenditure can be verified within a period of two months from the submission of the documents by the project partners allowing for timely submission of PRs by the LB within a three months period from the end of each reporting period."

3.3 Reporting at Partner level

According to the control procedure described above, each Project Partner, as well as the Lead Partner, have to submit their expenditure relevant for a reporting period for verification to the Controller in its Partner State.

In order to ensure the verification of expenditure each Project Partner, as well as the Lead Partner, have to prepare a Partner Report, describing the activities fulfilled and the expenditure incurred and paid in the given reporting period.

The Partner Report is a simplified version of the Project Progress Report to be filled in by the Lead Partner, as it is relevant for one Project Partner only.

The Partner Report is a standard reporting template of the Danube Transnational Programme to be submitted online through the eMS.

The reporting template to be submitted through the eMS ensures that the same level of information is requested at partner level by the Controllers and the same level of information is provided by the Project Partners to the Lead Partner.

The Partner Report in eMS ensures that the financial data (expenditure, generated revenues) needed to issue the FLC Certificate by the Controllers is available. The list of expenditure is generated by the system based on data (i.e. real costs or simplified costs) recorded by the Project Partner in the eMS linked to budget lines and work packages.

The language of reporting is English for the transparency of the financial procedures and to allow the preparation of the Project Progress Reports by the Lead Partners.

No further reporting templates (like the Partner Report) should be requested by the Controllers at national level. However, additional information related to the fulfilment of the control activity might be needed, e.g. declaration related to VAT, clarification on public procurement procedure, etc. which might be requested according to the national guidelines (if relevant).

The Controllers shall provide adequate time for the Project Partners to correct data, provide clarification and further supporting documents to the expenditure reported in the Partner Report. The expenditure not verified after the completion round(s) will be part of the next FLC Certificate if it fulfils the control requirements.

3.4 FLC Certificate

3.4.1 Issuing the FLC Certificate

Having concluded the process of verification of expenditure, the Controller shall issue the FLC Certificate in the eMS in order to prove that the expenditure has been validated.

The form of the FLC Certificate is obligatory to be used by each Controller validating the expenditure of a Project Partner participating in a DTP project. The document is automatically generated by the eMS..

The FLC Certificate shall be issued in Euro.

The FLC Checklist is another standard document for the verification of expenditure containing the checks performed by the Controller.

The FLC Checklists are harmonised for the Danube Transnational Programme and are obligatory to be used by the Controllers in the eMS. The control checklists can be customised in the eMS, but the same checklists shall be used by each Controller.

The FLC Checklist contains the eligibility requirements and also the supporting documents needed for the verification of expenditure (see Annex 8.4). In accordance with the four eyes principle, if applicable, the checklist is filled in by the Controller in the eMS based on the findings during the verification of expenditure and another Controller has to review the work done.

The eMS generates the FLC Certificate and the FLC Checklist which can be printed and saved in the eMS. There is no requirement at programme level to sign and stamp the generated documents, however, at national level it can be regulated differently. Checklists of the Controllers do not form part of the “FLC Certificate” package. Additional checklists may be used by the Controllers at national level in specific cases, e.g. for the verification of procurements. Additional checklists, if any can be uploaded to the eMS.

3.4.2 Re-issuing the FLC Certificate

The re-issuing of the FLC Certificate can be requested only before the approval of the Application for Reimbursement by the MA/JS in the following cases:

- a) Ineligible expenditure was included in the FLC Certificate
- b) Expenditure was declared to wrong budget line or work package
- c) Mistakes were made in reporting the specific types of expenditure
- d) Amount affected by suspect of irregularity was included in the FLC Certificate

In case the Lead Partner sends back the Partner Report for correction to the PP concerned, after the modification of the report the FLC Certificate has to be re-issued if possible before the submission deadline of the Project Progress Report. The MA/JS shall also be consulted in disputed cases.

In case the re-issuing of the FLC Certificate is requested by the MA/JS, the Lead Partner is responsible to re-submit the revised Project Progress Report and Application for Reimbursement to the MA/JS including the re-issued FLC Certificates and any further documents requested within the deadline set by the MA/JS.

In case the re-issued and re-submitted FLC Certificate is still not acceptable by the MA/JS after two completion rounds, the concerned FLC Certificate will be reverted again to the Controller. The corrective FLC Certificate shall be submitted along with the Application for Reimbursement to the subsequent reporting period.

Before the approval of the Application for Reimbursement by the MA/JS, it is also possible that the Controller establishes the need to re-issue the FLC Certificate. Upon notification by the Controller, the MA/JS initiates the re-issue process in eMS.

3.5 Handling of irregularities in the control procedure

'Irregularity' means any breach of Union law, or of national law relating to its application, resulting from an act or omission by an economic operator involved in the implementation of the ESI Funds, which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified item of expenditure to the budget of the Union. (Article 2 (36) of Regulation (EU) No. 1303/2013).

The Controllers shall apply the following rules for the issuing FLC Certificates:

- 1) Irregularities suspected ***before approval*** of the Application for Reimbursement by the MA/JS, the following procedure shall be applied:
 - In case the Controller suspects/detects an irregularity the Controller shall notify the responsible body for irregularities at national level .
 - In case an irregularity procedure is initiated at national level by the responsible body:
 - a) if the suspicion of irregularity is detected during the verification of expenditure, the suspected irregular amount shall not be included in the FLC Certificate to be issued.
 - b) if the suspicion of irregularity is detected after the FLC Certificate has been issued but before the approval of the Application for Reimbursement, the FLC Certificate has to be re-issued in order to deduct the suspected irregular amount. In this case the MA/JS shall be informed without delay, in order to prevent the MA/JS from reimbursing the amount affected by potential irregularity.
 - In case the irregularity procedure is finished by stating that irregularity has been committed:
 - a.) if the irregular amount equals with the suspected irregular amount already deducted, the Controller does not have any additional task;
 - b.) if the irregular amount is less than the already deducted amount, the eligible regular amount could be included into any subsequent FLC Certificate.
 - If the irregularity procedure is finished by concluding that no irregularity has been committed, the eligible regular amount could be included into any subsequent FLC Certificate.

2) Irregularities suspected ***after approval*** of the Application for Reimbursement by the MA/JS:

- In case irregularities are suspected by the Controller (or any other programme management body) after the approval of the Application for Reimbursement, the responsible body for irregularities at national level shall be notified to investigate the suspicion of irregularity.
- In case the irregularity has been established, the responsible body at national level shall inform the MA/JS by sending an OLAF/summary report on the irregularity. The MA/JS will insert the data of the irregularity report into the eMS and attach it to the project concerned in eMS.

In case an irregularity is announced, whistle-blown or detected, the irregularity procedure shall be started as mentioned above, but at the time of the decision on the irregularity further influencing factors shall determine that further authorities at national level shall be involved ex officio and according to legislative attributions. These relevant institutions at national level shall be properly informed and involved, the relevant documents shall be provided by the responsible body for irregularities at national level.

- The amount affected by irregularity will be reclaimed by MA/JS on the basis of the OLAF/summary report⁹ received. The FLC Certificate already issued by the Controller **shall not be re-issued, and the amount affected by irregularity shall not be deducted from any of the following FLC Certificates.**

The following procedures will be applied for recoveries:

- a) **“Compensation”**: the amount to be recovered can be deducted by the MA/JS from any Application for Reimbursement in case the amount declared by the concerned PP covers the irregular amount. Therefore, the amount to be paid to the LP will be reduced by the irregular amount before payment of the Application for Reimbursement.
- b) **“Repayment”**: the irregular amount shall be repaid by the PP concerned through the LP to the Danube Programme Bank Account.

⁹ **OLAF report**: In line with the provision of Article 3 (1) of Commission Delegated Regulation (EU) No. 2015/1970 the Partner States shall report irregularities to the Commission which

- a) affect an amount that exceeds EUR 10 000 in contribution from the funds,
- b) have been the subject of a primary administrative or judicial finding.

Summary report: Summary report template (available in Cooperation Programme complement) shall be used to report irregularities which affect an amount below EUR 10 000 in contribution from the funds and in cases referred to in the second subparagraph of Article 122(2) of Regulation (EU) No 1303/2013.

3.6 Handling of project changes in the control procedure

During the implementation of the project, certain changes might become necessary, which will affect the eligibility of expenditure at partner level. Therefore, the Controller has to take into consideration the necessary verifications of expenditure with regard to project changes.

The definition of different types of changes that might occur during the project implementation as well as the relevant rules for project changes are described in the Subsidy Contract and in the Implementation Manual relevant for the type of the project.

Any request for modification of the Subsidy Contract has to be justified and submitted by the LP to the MA/JS immediately when such a need for amendments occurs.

The MA/JS will review the request for modification and makes a decision on the modification request according to the rules laid down in the relevant Implementation Manual.

The modified Application Form and related documents, if any (e.g. Addendum to the Subsidy Contract, etc.) will be available for the Controllers in the eMS.

3.7 Control function of the eMS

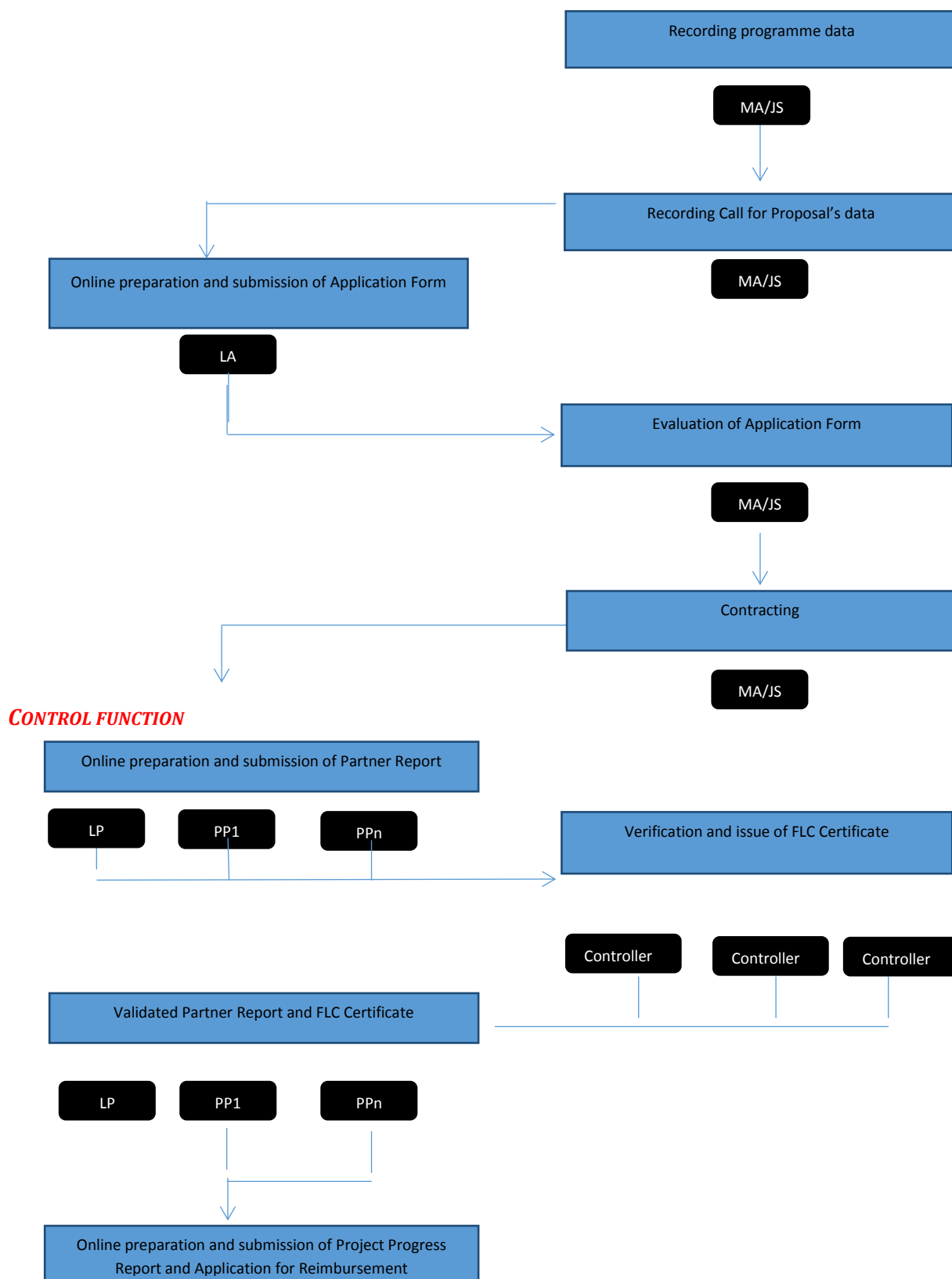
3.7.1 General description of control function in the eMS

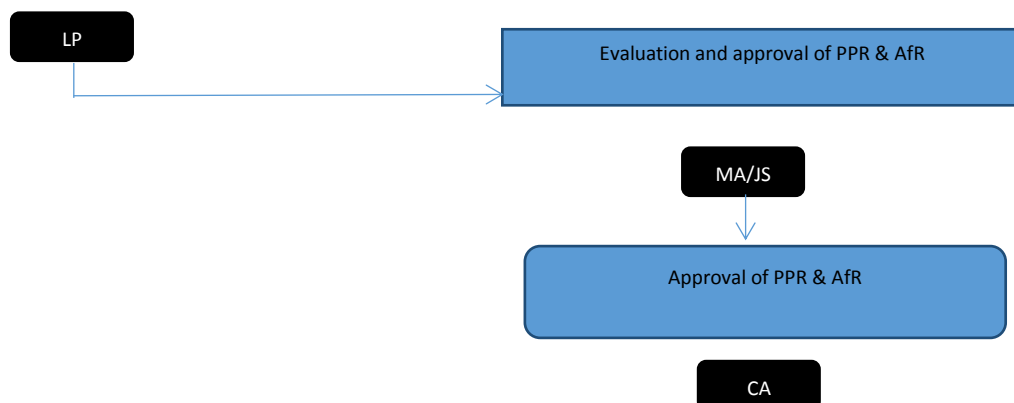
The control function of the eMS supports the reporting procedure at national level in case of each Partner State. The financial data registered in the system on partner level enables each Project Partner to prepare and submit the Partner Report via the eMS which can be validated by the Controllers in the system. When preparing the Project Progress Report on project level, the system aggregates the financial data included in each Project Partner's FLC Certificate.

This control function provides several advantages:

- Uniformity of procedures for the verification of expenditure (standard checklists, templates, verification process concluded in the system)
- Shorter timeframe of validation: online submission of the Partner Report and the FLC Certificate, no paper version of the reports/documents requested
- Providing overview of the verification process at all stages (LP and MA/JS are informed through the system)
- Enhancing the preparation of Project Progress Reports by aggregating validated expenditure from partner level.

3.7.2 Overview of general procedures in the system





3.7.3 Control procedures supported by the eMS

1) Online preparation and submission of Partner Report (Project Partners)

The Project Partner records the data of the Partner Report in the eMS, by using individual username and password related only to its project part. After registering the data in the system, the Partner Report will be generated by the system. The Partner Report is then submitted online through the eMS to the Controller. The process is the following:

1. Recording Partner Report data by the Project Partner:

The following data shall be recorded with regard to the implementation of activities:

- Summary of the Project Partner's activities in the reporting period
- Target groups reached
- Activities by WPs carried out in the reporting period in details
- Deliverables

The activity data is not aggregated at project level. The Lead Partner shall summarise the information received from the Project Partners in the Project Progress Report.

The following financial data shall be recorded:

- Expenditure incurred and paid in the reporting period recorded at invoice level
- Partner contribution and the spending forecast

Financial data recorded by the Project Partner and validated by the Controller will automatically be aggregated up to the project level, after FLC Certificate has been issued.

➤ **Attachments (if any)**

➤ **Document generated by the system**

The Partner Report is generated by the eMS after built-in checks carried out automatically by the system.

2. Online submission of the Partner Report via the eMS to the Controller

The responsible person of Project Partner submits the Partner Report to the Controller.

2) Verification of expenditure and validation process (Controllers)

After submission of the Partner Report, the verification of expenditure is fulfilled by the Controller in the eMS. The processes are standard for all Controllers by using standard checklists. In case modification is needed, the checklists can be customised in the eMS by the MA/JS in agreement with the Controllers. Checklists filled in by the Controllers will be saved in the system each time after the validation process has been completed.

The process is the following:

1. Verification of the submitted Partner Report

- **Verification of the Partner Report** by checking the submitted invoices and activities according to the FLC Checklist in the eMS
- **On-the-spot check** (if relevant)
- **Deduction of ineligible amounts in eMS** (if relevant)
- **Attachments**
 - Checklists of Controllers not included in the system (e.g. procurement)
 - On-the-spot check report, if relevant
 - Audit report, if any
 - Designation Form, if relevant
- **Documents generated by the eMS**
 - FLC Certificate
 - FLC Checklist

2. Issuing the FLC Certificate

After verification of expenditure, the Controller issues the FLC Certificate in the eMS. The FLC Certificate will be available online in the eMS to the Project Partner.

3) Availability of FLC Certificates and aggregated financial data to the LP

The Partner Reports and the related FLC Certificates are available to the Lead Partner in the eMS (for review and preparation of the Project Progress Report). The system enhances the preparation of the Project Progress Report and Application for Reimbursement by aggregating validated expenditure from the partner level. All supporting documents attached to the Partner Report will also be available electronically for the LP in the eMS.

3.7.4 National level functions not supported by the eMS

The following main responsibilities to be fulfilled at national level are not supported by the eMS:

1. Irregularity procedures at national level
 - Detecting, establishing and reporting irregularities to the Commission
2. Risk assessment by the Controller
 - Risk assessment according to national rules
3. Handling of state contribution (if relevant)
 - Transfer of pre-financing and/or payment of state contribution

3.7.5 Verification of expenditure in case non-availability of the eMS

In case the eMS does not ensure the performance of the tasks of the Project Partners, the TA beneficiaries and the Controllers (i.e. the preparation of the Partner Report and the verification of expenditure in eMS), the Partner Report and the supporting documents shall be submitted on paper to the Controller for verification purposes. The Controllers shall prepare the FLC Certificate on paper in 2 copies and send it to the Project Partner/ TA beneficiary. The Project Partner shall send 1 copy of the FLC Certificate to the LP.

The Project Progress Report, the FLC Certificates and the Application for Reimbursement shall be prepared and submitted by the LP to the MA/JS on paper with the necessary signatures.

Availability of data and documents shall be ensured for audit purposes and in line with the audit requirements.

All data generated during the non-availability of the eMS shall be recorded into the system afterwards.

4. Control requirements

Controllers designated by each Partner State shall ensure the compliance of expenditure incurred by the Project Partners with EU, programme and national rules, by carrying out verifications within the meaning of Article 23(4) of the Regulation (EU) No. 1299/2013, as well as Article 125(5) of the Regulation (EU) No. 1303/2013. Each country participating in the DTP is responsible for verifications carried out on its territory.

In accordance with Article 125(4)(a) and (b) and 125(5) of the Regulation (EU) No. 1303/2013, verifications carried out by the Controllers shall ensure that

- the co-financed products and services have been delivered
- the expenditure declared by the beneficiaries has been paid
- the project part complies with the applicable law, the cooperation programme and the conditions for support.

The designated Controllers shall also ensure that each Project Partner maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation.

Verifications to be carried out shall include the following procedures:

- a) **administrative verifications** (desk based checks) in respect of each application for reimbursement,
- b) **on-the-spot verifications** of the projects.

The procedures and requirements of the Danube Transnational Programme for the administrative verifications and for the on-the-spot verifications are described in the following sections.

4.1 Administrative verifications – “desk based checks”

As a general principle, the Lead Partner can include in the Application for Reimbursement only expenditure validated by the Controller.

The administrative verifications, so called “desk based checks” shall be carried out by the Controllers in respect of each application for reimbursement.

The desk based checks shall be performed by the Controllers at their own premises, i.e. the Project Partner submits the invoices and the related supporting documents of the expenditure declared either electronically (e-mail, data drives, etc. but not through eMS) and/or in original, as regulated at national level.

In addition, the Controller might check the documents at the premises of the Project Partner.

Methodology for the administrative checks:

- **100% of the expenditure** declared by the Project Partner **is verified** by the Controller
- **Desk based checks carried out on a sample basis** (in accordance with the description of the control system of the concerned Partner State): a certain scope and a certain percentage of the expenditure declared by the Project Partner is verified by the Controller. The sampling method used by the Controller shall be presented in the FLC Certificate.

The results of the desk based checks have to be documented in the FLC Report section of the FLC Certificate.

The “**desk based checks**” shall cover the following verifications:

1.	Expenditure is in line with EU, programme and national eligibility rules and complies with conditions for support of the project and payment as outlined in the subsidy contract
2.	Expenditure declared by the Lead Partner / Project Partner is supported by invoices or accounting documents of equivalent probative value, with the exception of simplified cost options.
3.	Expenditure declared by the Lead Partner / Project Partner was actually paid with the exception of costs related to depreciations and simplified cost options.
4.	Expenditure was incurred and paid (with the exception of simplified cost options) within the eligible time period of the project and has not been reported previously.
5.	Expenditure based on simplified cost options (if any) is correctly calculated and the calculation method used is appropriate.

6.	Expenditure (if any) within the meaning of with Article 20(2) of Regulation (EU) No. 1299/2013 has been verified. (Checks to be performed are described under section 3.4.2 (for expenditure of the Associated Strategic Partners) and 3.4.3 (with regard to 20% activities) of the Annex
7.	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 was available for inspection.
8.	Expenditure in currency other than Euro was converted using the monthly accounting exchange rate of the European Commission in the month during which expenditure was submitted for verification to the Controller.
9.	Relevant EU/ national/ institutional and programme procurement rules were observed.
10.	EU and programme publicity rules were observed.
11.	Co-financed products, services and works were actually delivered in accordance with the subsidy contract and application form.
12.	Expenditure is related to activities in line with the application form and the subsidy contract.
13.	Expenditure verified is not affected by irregularity or any suspected irregularity or fraud.
14.	No evidence of infringements of rules concerning sustainable development, equal opportunities and non-discrimination, equality between men and women and State aid has been found during the verifications.
15.	No evidence of double-financing of expenditure through other financial source(s) has been found during the verifications.
16.	No evidence of generation of undisclosed project-related revenue has been found during the verifications.

4.2 On-the-spot verifications

On-the-spot verifications (also referred to as on-the-spot checks) cover additional verifications of the project from financial, technical and physical point of view.

On-the-spot checks of individual projects may be carried out on a sample basis as well. The frequency and coverage of on-the-spot checks shall be proportionate to the amount of public support to a project and to the level of risk identified by such verifications and audits of the audit authority for the management of the control system as a whole.

The methodology for the on-the-spot checks shall be described in the description of the national control system (Annex 8.1):

- On-the-spot checks are considered exhaustive in case on-the-spot checks are performed at least once during the project period for each Project Partner of the concerned Partner State participating in the projects of the Danube Transnational Programme.
- In case on-the-spot checks are carried out on a sample basis, the selection of the projects for on-the-spot checks has to be in line with the sampling method presented in the description of the national control system, and the selection has to be also documented.

Verifications covering only administrative aspects performed at the premises of the Project Partner cannot be considered as on-the-spot checks, in case the requirements for the on-the-spot verifications are not covered.

On-the-spot checks during the COVID-19 outbreak¹⁰:

During the emergency situation of the COVID-19 outbreak on-the-spot verifications are not possible. It is recommended to perform only desk-based verifications where possible until such time as it is safe for staff to perform on-the-spot visits again.

Replacement of the on-the spot checks during the COVID-19 outbreak e.g. by online meeting tools, video recording and photo-documentation is possible under condition that the scope of the on-the spot checks can be fulfilled without physical presence at the premises of the partner, e.g. proof of the delivery of the activities and outputs is provided.

Controllers have flexibility to carry out the necessary on-spot verifications after declaring the expenditure to the Commission by the CA and before submitting the accounts, e.g. in the 2nd half of 2020. The on-the spot checks cancelled or postponed by the controllers due to the COVID-19 outbreak shall be completed before certification in the accounts (i.e. 15 February 2021).¹¹

The same procedure and deadline applies for the closed projects where the on the spot checks necessary for the project closure were cancelled due to the emergency situation.

The “**on-the-spot checks**” shall cover the following verifications:

¹⁰ The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19), caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The outbreak was first identified in Wuhan, China, in December 2019. The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January, and a pandemic on 11 March 2020.

¹¹ According to EC Guidance:

<https://webgate.ec.europa.eu/fpfis/wikis/pages/viewpage.action?spaceKey=CORONAVIRUSRII&title=Coronavirus+Response+Investment+Initiative>

Verifications regarding the accounting system and audit trail:

1.	The Lead Partner possesses a project bank account to receive and transfer ERDF and IPA and ENI contribution to the Project Partners, either by opening a separate EUR bank account or by opening a sub-account of an existing EUR bank account with a technical code for the project purposes.
2.	Separate accounting system or an adequate accounting code is maintained for all transactions relating to the project by the Lead Partner/Project Partner.
3.	The expenditure declared corresponds to the accounting records and supporting documents held by the Lead Partner/Project Partner.
4.	Invoices related to expenditure already declared are available at the premises of the Lead Partner/Project Partner.
5.	Audit trail relevant for the Lead Partner/Project Partner exists and is complete at the premises of the Lead Partner / Project Partner.
6.	If revenues are reported, evidence exists in the accountings documents of the Lead Partner/Project Partner on the revenues generated by the project.

Verification of expenditure:

1.	Services declared within the project have been delivered in reality, and are available at the premises of the Lead Partner/Project Partner, and are used only for the project purposes.
2.	Equipment declared within the project have been purchased in reality, are in line with the description given in the approved application form and are used only for the project purposes.
3.	Small scale investments declared within the project have been implemented in reality, are in line with the description given in the approved application form, and are used only for the project purposes.

Verification of the compliance with EU policies and other rules:

1.	Evidence is available that the public procurement procedures applied by the ERDF Lead Partner / Project Partner are in line with the national public procurement rules as well as with the programme rules on procurements. In case of IPA and ENI partners, procurement procedures applied are in line with the provisions of the Financial Regulation and Delegated Regulation, if relevant, and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
2.	According to the evidence obtained, the publicity requirements of the Danube Transnational Programme are respected.

3. According to the evidence obtained, double-financing of expenditure with other EU funds is avoided.

4.3 Documentation of checks

The verification of expenditure shall be documented by the Controllers and the work records are to be retained for audit purposes.

The Danube Transnational Programme introduced the eMS to support the control activity in each Partner State. All control related documents are stored in the system in electronic form.

The main records of the verification of expenditure are the FLC Certificate and the FLC Checklist which contain all aspects of the verifications including the results of the checks in details.

The FLC Certificate and the FLC Checklist will automatically be stored by the eMS in electronic form. Originals of the FLC Certificate and the FLC Checklists can be printed and stored by the Controller in case it is required at national level.

The name and position of the person performing the verifications and the date of verifications will be tracked in each case by eMS.

Before submission of the invoices and accounting documents of equivalent probative value to the Controller for verification, the Project code and Acronym shall be indicated by the Project Partner on the originals with the following text:

Danube Transnational Programme

Project code:

Acronym:

Controllers may request the submission/presentation of the original invoices/or a sample of original invoices.

All documents submitted by the Project Partner outside of the eMS, e.g. invoices, studies, project brochures, photos of project events, training course materials, etc. and deliverables which provide evidence of the eligibility of expenditure shall be kept by the Controller/Control Coordination Body in accordance with the national regulatory framework.

On-the-spot checks should also be properly documented: the work records on the results of the on-the-spot checks of individual expenditure/Project Partner sampled should be maintained by the Controller. In case on-the-spot checks are carried out on a sample basis, the sampling method used has to be described and justified and all documentation has to be retained for further audits.

The following documents should be retained by the Controllers concerning the verification of expenditure of each Project Partner. The DTP does not require Controllers to keep documents which are stored in the eMS in any other form; however, national regulations may require the retention of documents in hard copy as well.

No.	Document	Form of document	Place
1.	Approved Application Form	Electronic version	eMS
2.	Partnership Agreement (and its amendments)	Electronic version	eMS
3.	Subsidy Contract (and its amendments)	Electronic version	eMS
4.	Partner Reports	Electronic version (and/or original ¹²)	eMS
5.	FLC Certificate	Electronic version (and/or original ¹³)	eMS
6.	Each invoice and accounting document of probative value related to the project expenditure	As applied at national level	As applied at national level
7.	Supporting documents related to project expenditure e.g. payslips, bank statements, contracts between Project Partner and subcontractors, etc.	As applied at national level	As applied at national level
8.	Supporting documents in large size e.g. public procurement documents	As applied at national level	As applied at national level
9.	All project deliverables (materials produced during the project period) submitted with the Partner Reports	As applied at national level	As applied at national level
10.	FLC Checklists related to each Partner Report	Electronic version (and/or original ¹⁴)	eMS
11.	Documentation of each request for missing documents, completion of the Partner Reports	Electronic version (and/or original ¹⁵)	Electronic storage/Controller premises
12.	If relevant, documentation of on-the-spot checks (minutes/reports, checklists, etc.)	Electronic version (and/or original ¹⁶)	eMS/other electronic storage/Controller premises
13.	Audit reports, if relevant	Original/copy/electronic version (in the form received from the body performing the audit)	eMS/other electronic storage/Controller premises

¹² As regulated at national level

¹³ As regulated at national level

¹⁴ As regulated at national level

¹⁵ As regulated at national level

¹⁶ As regulated at national level

In case state contribution is ensured by the Partner State in which the Project Partner is located, the Controllers shall retain the documents related to the state co-financing (contract and its amendments, documentation of the payment of state contribution, and all requested documents at national level) according to the national co-financing system of the Partner State concerned.

5. Verification of project expenditure

Programme level rules on the eligibility of expenditure necessary for the preparation of the Application Form have been included in the relevant Applicants' Manual.

More detailed and specific eligibility rules to be followed during the project implementation period are laid down in the "Eligibility of project expenditure" annexed to this document and to the Implementation Manual, including the supporting documents requested for each budget line, as well as the checks to be performed by the Controllers.

6. Verification of Technical Assistance expenditure

The budget allocated to Priority Axis 5 (Technical Assistance) ensures the sound basis for the implementation of the program. Activities related to program management, implementation, monitoring, control, and evaluation are financed by Technical Assistance. The beneficiaries of the Technical Assistance (TA) are the programme management bodies of the DTP, such as MA/JS, Certifying Authority, Audit Authority and the National Contact Points.

TA expenditure also needs to be verified by the responsible Controllers of the Partner States depending on the location (country) of the TA Beneficiary. The timeframe for verifications corresponds to that of the normal projects (described in section 3.2.2).

Control requirements described in the present Control Guidelines are also relevant for the verification of TA expenditure with the following exceptions:

- **Eligibility of TA expenditure, including the checks to be performed by the Controllers is regulated by the TA Manual of the Danube Transnational Programme.**
- A separate FLC Checklist for TA expenditure was prepared based on the eligibility requirements set by the TA Manual (Annex 8.5).
- The TA Project Progress Report template shall be prepared in eMS to report activities of the National Contact Points.
- Different reporting deadlines are set for the TA Beneficiaries. The applicable reporting rules and deadlines are specified in the TA Manual.
- Taking into account the yearly allocation of TA project's budget, the TA Project Progress Report shall include all expenditure incurred in the reporting period concerned and paid

within the eligible time period of the project (i.e. payment is not limited to the reporting period concerned).

The description of the control system in each Partner State shall include the designated Controller for TA expenditure and also the description of the verification procedure for TA, provided it is different from the validation of project's expenditure.

7. Control Systems

7.1 Description of the national control system

According to Article 23 (4) of the Regulation (EU) No. 1299/2013 (ETC Regulation) each Partner State shall set up a control system to validate the expenditure at national level. For this purpose each Partner State shall formally designate the Controller/Control body responsible for verifying the legality and regularity of the expenditure declared by each Project Partner participating in the project (the "Controller").

For the designation process laid down in Article 124 of the Regulation (EU) No. 1303/2013, each Partner State shall provide the description of the national control system to the MA/JS in a standard form of the DTP (please see Annex 8.1).

The description of the national control system shall provide information on the designated Controller/control body in the Partner State concerned, as well as on the setting up of the control system, the organization of the Controller/control body, and the procedure and timeframe for the verification of expenditure, etc.

In addition, the MA/JS shall be informed about the bodies and authorities responsible for control, audit, irregularities and repayment as well as national co-financing. The procedures applied at national level for handling irregularities and repayments and also information about the system of the national co-financing shall be specified in the description of the national control system.

The MA/JS shall be informed of any change in the control system by submitting the up-dated version of the description of the national control system of the Partner State concerned.

For the purpose of keeping the programme level description of the management and control systems up-to-date, the MA/JS requests each Partner State to submit the updated version of the description of the national control system on a yearly basis, by 30 September each year.

7.2 Designation and selection of Controllers

7.2.1 Requirements for the selection of Controllers in decentralised control systems

In case of decentralised systems, the designated Controller, i.e. the “control coordination body” is a formally designated body at Partner State level responsible for the coordination of control activities and for the proper selection of the individual Controllers to each Project Partner.

The selection of the individual Controller is either based on a shortlist preliminary established by the control coordination body or on the selection of the Project Partner according to the requirements at Partner State level.

The steps are the following:

- 1) The control coordination body has to confirm the selection of Controllers to each Project Partner or assign the Controller to the Project Partner, by issuing a signed designation form at partner level (please see Annex 8.2) before the first Partner Report has been submitted by the Project Partner to the Controller. This designation form shall contain the project code, the partner data, the contact details of the Controller and the declaration on the independence of the Controller. Partner States can use their own designation forms (in English language) as long as the information requested by the DTP is provided for.
- 2) The MA/JS will provide access to the eMS to the control coordination bodies (FLC assignment body in eMS) and to the responsible Controllers as described in the eMS Guideline on control.
- 3) The control coordination body is responsible for assigning the responsible Controller(s) to the relevant Project Partner(s) in eMS.
- 4) The designation form (or other equivalent form) shall be uploaded by the Controller to the eMS together with the FLC Certificate of the first Partner Report.
- 5) The MA/JS shall be informed by the control coordination body about the change of individual Controllers in order to provide them access to the eMS. The signed designation form (or other equivalent form) for the new individual Controller shall be uploaded by the Controller to the eMS together with the subsequent FLC Certificate.

7.2.2 Designated Controllers in centralised control systems

In case of centralised control systems, the control body appoints the staff for the verification of expenditure of Project Partners involved in the Danube Transnational Programme.

The control body shall provide the MA/JS with the list of staff responsible for the control tasks for the DTP. The MA/JS will provide access to the eMS to the control body (FLC assignment body

in eMS) and to the responsible Controllers as described in the eMS Guideline on control. The control body is responsible for assigning the responsible Controller(s) to the relevant Project Partner(s) in eMS.

In case of any change in the control staff, the MA/JS shall be informed by the control body in order to provide access to the eMS.

7.3 Reporting irregularities

Prevention, detection, reporting and follow-up of irregularities, including recovery of amounts unduly paid are regulated in the Article 72, Article 122, Article 132 and Article 143 of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council and Article 27 of the Regulation (EU) No. 1299/2013 of the European Parliament and of the Council.

Based on the above provisions, Partner States hosting the Project Partners are responsible for the management, *inter alia*, detecting, establishing and reporting to the Commission of irregularities at the national level. As a consequence, the irregularity procedure shall always be conducted by the responsible organization of the Partner State on whose territory the Project Partner concerned is located.

An irregularity might be suspected by the Controllers, the programme management bodies (MA/JS, AA, CA), or any other person on different stages of the project implementation. In order to ensure that the programme management bodies (MA/JS, CA, and AA) are informed on the irregularities established by the Partner States, the irregularities have to be reported by the responsible body of the Partner State to the MA/JS. The data of the OLAF/summary report has to be registered in the eMS by the MA/JS.

The procedure for reporting and handling irregularities is as follows:

- a. Suspecting irregularity by Controllers / MA/JS / CA / AA/ etc.
- b. Reporting suspected irregularity to the responsible body at the Partner State (if any)
- c. Irregularity procedure launched according to procedures applicable at the national level resulting in the decision on irregularity (whether an irregularity was committed or not) and possible financial consequences, if any
- d. Reporting irregularities to OLAF by the responsible body in the Partner State in line with Article 122 of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council. This report shall also be sent to the MA/JS.
- e. Reporting irregularities with financial consequences which do not need to be reported in line with Article 122 of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council to the MA/JS in the form of **a summary report** by the responsible body in the Partner State. (The summary report template is included in the Verification Report).

- f. On the basis of information included in the OLAF/summary report sent by the Partner State concerned, the MA initiates a recovery procedure. When the irregularity reported by the Partner State affects the whole project, the Monitoring Committee is entitled to make a decision related to the legal and/or financial consequences (such as withdrawal from the subsidy contract or reduction of the contribution from the EU Funds to the project).

The tasks of the Controllers are limited to the reporting of the suspicion of irregularities to the body responsible for irregularities at Partner State level, therefore Controllers shall be aware of the procedure for reporting suspected irregularities.

7.4 Anti-fraud measures

Controllers have to follow the Anti-Fraud Strategy of the DTP to improve effectiveness in dealing with the risks of fraud within the programme.

The fraud risk self-assessment tool prepared by the Commission (together with detailed instructions) was adapted to the Programme needs to assess the impact and likelihood of common fraud risks occurring. It is the responsibility of the DTP MA/JS to coordinate and perform the overall annual fraud risk assessment.

In order to conclude the fraud risk self-assessment exercise the MA will request Controllers / control coordination bodies to provide input with regard to the fraud risks related to the 'implementation of programme and verification of activities' process, more specifically, with regard to risk identification, risk assessment, existing and possible new controls and action plans for risk mitigation. For these purposes, the fraud risk self-assessment tool was made available to the Controllers. As a general rule, risk assessment would be done on an annual basis (May to July period of each year) and the input from the Controllers would be requested at least 1 month prior to the assessment.

7.5 Audits

7.5.1 System audits

According to the Article 127 of the Regulation (EU) No. 1303/2013 the Audit Authority or external auditors on behalf of the Audit Authority will carry out audits on the proper functioning of the management and control system (MCS) and on an appropriate sample of projects on the basis of the declared expenditure. In addition, audit of the accounts will be carried out.

In order to obtain a high level of assurance and to express an opinion on the functioning of the MCS, system audits will include compliance testing of key controls at programme management bodies. Such **compliance testing** should be carried out for a number of projects, transactions at the level of the MA/JS, the CA and the **national Controllers**.

The following steps are usually undertaken when performing the assessment:

- 1) Evaluating the assessment criteria for each key requirement¹⁷
- 2) Conclusion drawn for each key requirement on the basis of the assessment criteria
- 3) Conclusion by Authority
- 4) Overall conclusion

More detailed information on the assessment criteria, key requirements and the methodology of the assessment can be found in the *Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States*.

7.5.2 Audit of operations

The Audit Authority or external auditors on behalf of the Audit Authority will perform audits of operations on an appropriate sample of projects on the basis of the declared expenditure. The declared expenditure shall be audited based on a representative sample and, as a general rule, on statistical sampling methods.

A non-statistical sampling method may be used based on the professional judgment of the Audit Authority, in duly justified cases, in accordance with internationally accepted audit standards and in any case where the number of operations for an accounting year is insufficient to allow the use of a statistical method.

The projects selected for audit of operations will be audited at the premises of the Lead Partner and the Project Partners selected.

The Controller can also be present during the audit at the premises of the LP or PPs selected where further clarification might be requested from the Controller. The Controller shall cooperate with the Audit Authority/external auditor on behalf of the AA and shall provide the body with all information.

Controllers and control coordination bodies at national level will receive feedback on the findings of the audit of operations.

In case of irregularities, or ineligible expenditure detected by audit the procedures described in Section 7.3 have to be followed.

¹⁷ See Commission Delegated Regulation (EU) No. 480/2014 for the list of key requirements

7.6 Network of Controllers

In order to ensure smooth functioning of the control system in the Partner States, the DTP established and operates the **network of Controllers**, comprised of representatives of Controllers/control coordination bodies from each Partner State and coordinated and supported by the MA/JS. Regular consultations and trainings for the network of Controllers will be organised during the programme implementation period. At least one meeting per year will be held, and additional meetings can be organised if deemed necessary.

This “working group” of the Controllers has a consultative role between the DTP and the individual Controllers. Conclusions of the Controllers’ meetings will be taken into consideration and the main outcome will be reported to the Monitoring Committee.

Each Partner State could officially nominate a maximum of two representatives to the network of Controllers. The members of the MA/JS, Certifying Authority and Audit Authority also participate at the Controllers’ meetings. The representatives of National Contact Points, MC members and the representative of the European Commission can participate at the meetings as observers. The list of the network of Controllers is handled by the MA/JS. In case of any changes, the MA/JS shall be informed in a written form.

8. Annexes

- **Eligibility of project expenditure**
- **8.1 Control System description template**
- **8.2 Form for the designation of Controller**
- **8.3 FLC Certificate**
- **8.4 FLC Checklist for projects**
- **8.5 FLC Checklist for TA projects**