



Danube Control Guidelines for the period 2021-2027

Version 1.1

19 December 2023



List of versions of the Control Guidelines

Version	Date	Description
1.1	19 December 2023	First version



Table of Abbreviations

AF	Application form
AfR	Application for reimbursement
CA	Certifying authority
CPR	Common Provisions Regulation (EU) No 2021/1060
DRP	Danube Region Programme
DSP	Danube Strategy Point
EC	European Commission
EUSDR	EU Strategy for the Danube Region
Jems	Joint electronic monitoring system
LP	Lead partner
MA/JS	Managing Authority and Joint Secretariat
MC	Monitoring committee
NCP	National contact point
OLAF	European Anti-Fraud Office
PAC	Priority Area Coordinators of EUSDR
PP	Project partner
PPR	Project progress report



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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 EU contribution (Interreg funds) for the expenditure incurred and paid by the project partners within a certain reporting period and verified 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 verified project expenditure.

Control

The control activity means the verifications carried out by the Controllers at national level. 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.

Control certificate

The control certificate is the document issued by the Controller to the project partner containing the amount of verified 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 guidelines

The purpose of this document is to support the work of the Controllers to fulfil the verification of expenditures of project partners in a harmonised way in each partner state of the DRP, in accordance with the requirements set by the DRP.

Controller

The term Controller is used for a body or for an individual in charge of performing verifications in accordance with Article 46(6) of Regulation (EU) 2021/1059 in line with the control system in the given partner state.

Joint electronic monitoring system (Jems)

Jems is the electronic data exchange system used by the Danube Region Programme, for the management and monitoring of programme and project level implementation (including the management verifications tasks).



National Control system

The National Control System is established at national level to verify the expenditure of the project partners. In the Danube Region Programme, it is the responsibility of the partner states to set up the control system in accordance with Article 69(1) of the CPR.

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

A monitoring tool of the Programme that shall be regularly prepared and submitted in Jems by the lead partner, in order to provide up-to-date information about the progress of the project implementation as well as to justify those expenditure that are claimed in the AfR, submitted together with the project progress report (PPR) for each reporting period.

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.



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 expenditures in a harmonised way in each EU member states and non EU member states (further referred to as partner states) of the Danube Region 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 Region Programme (DRP) 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. regular projects, PAC support, SMF projects, DSP project) financed and implemented under the DRP. The 'project' in the document means all project types, unless otherwise stated. The differences, if any are indicated in the relevant sections.

2. Regulatory framework and documents related to Control

2.1 EU Regulations

The Danube Region Programme is financed from Interreg funds¹; therefore several EU Regulations shall be considered for the financial management of the Programme. General regulations, as well as specific regulations relevant for the DRP are collected in this section.

The following regulations shall be considered (not exhaustive list²):

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).

¹ According to Article 17(4)(b) of Regulation (EU) 2021/1059 the DRP uses 'Interreg Funds' as a single amount of the ERDF, IPA III and NDICI funds allocated to the Programme.

² The list of regulations is not exhaustive and the amendments of the below regulations shall also be considered.



General rules concerning the EU Funds:

Regulation (EU) 2021/1060 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (Common Provisions Regulation - CPR);

Regulation (EU) 2021/1058 on the European Regional Development Fund and on the Cohesion Fund (ERDF Regulation);

Regulation (EU) 2021/1059 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments (Interreg Regulation);

2.2 Programme level documents

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

Danube Region Programme document – Interreg Programme

Call Announcement – The Call Announcement summarises the most important information, limitations and relevant rules with regard to the specific Call for proposals. It shall be handled together with the Applicants' Manual and the Application form.

Programme Manual – The Programme Manual provides the major information for applicants as well as beneficiaries which remains valid throughout the whole programme period.

The Programme Manual is common for all types of calls, except SMF or other small projects which will have a separate one.

The specific requirements for each call for proposals will be detailed in the Call announcement. The Programme Manual comprises:



- **Applicants' Manual for PAC and DSP Call and Applicants' Manual for regular projects** - providing applicants with detailed information about the programme, project requirements, eligibility rules, application and assessment processes, and guiding them through the drafting of the project proposals.
- **Implementation Manual** - providing detailed guidance for lead partners (and project partners) of the approved projects in the implementation phase, from contracting to project closure including reporting obligations, payment of EU Funds and other programme-related requirements set in the subsidy contract. Furthermore, the Implementation Manual will contain the guidelines for the monitoring system.
- **Manual on eligibility of expenditure** - setting out detailed/specific programme level rules on the eligibility of expenditure and procedures to be followed during the project implementation period including the supporting documents requested for each budget line. These additional rules shall be established without prejudice to the eligibility rules laid down in the regulations (with special regard to Articles 53 to 57 and 63 to 67 of the CPR and Chapter V of the Interreg regulation). The Manual on eligibility of expenditure will be common for both projects and Controllers.

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

2.3 Standard documents for Control

The Danube Region Programme developed standard templates at programme level in order to harmonise and simplify the control procedures in the partner states of the DRP. The use of these templates is obligatory for the Controllers within the framework of the DRP.

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 7.1)
- List of designated Controllers (Annex 7.2)
- Control certificate (Annex 7.3)
- Control report and checklist (Annex 7.4)



3. Control procedure in the Danube Region Programme

3.1 Financial management procedure

The procedure for control in the Danube Region 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 AfR at project level based on the expenditure verified 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 Jems. Each project partner including the lead partner is responsible separately for having its expenditure verified 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 control certificate covering the entire verified expenditure of the whole partnership.
- 2) The Controller verifies the expenditure declared by the project partner/lead partner in the Jems, 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 control certificate generated by the Jems.
- 4) After the verification is finalised by the Controller in Jems and the control certificate is issued, the partner reports and the related control certificates are available to the lead partner in Jems for review and preparation of the PPR (no need for additional submission of the partner report and control certificate from the project partner to the lead partner).
- 5) The lead partner prepares the PPR in the Jems based on the partner reports available in Jems. The expenditure verified by the Controllers (i.e. financial data of the control certificate) is automatically aggregated to project level. Based on the aggregated financial data the lead partner shall prepare the AfR in Jems.
- 6) The lead partner has to submit the PPR and the AfR to the MA/JS through Jems 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 PPR and the AfR 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 from the first and the last reporting period which 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 deadlines**. Reporting deadlines will be given for the LPs explicitly in the subsidy contracts.

In case of **PAC support and DSP**, the lead partner has to submit the 1st PPR and AfR covering the first year of the project implementation, however, the following PPRs and AfRs will be submitted on a six-month basis.

Additional interim reporting deadlines may be set by the MA/JS in order to avoid de-commitment of EU Funds at the programme level. Additional reporting possibilities can be requested by the lead partner as well in duly justified cases, e.g. to split and include 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 PPR and the AfR 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 PPR and the AfR is the date and time of the online submission of the report through Jems.

In case the partner reports and control certificates are not available to the lead partner from each project partner for the given reporting period by the reporting deadline in Jems, the LP shall submit the AfR on the basis of the partner reports and control certificates available until the reporting deadline.

The expenditure of the project partners not verified for the given reporting period until the reporting deadline shall be included in the subsequent AfR to the reporting period concerned.

Project partners are recommended to 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 control certificates will be included in one PPR by the LP.



In case a partner report is not acceptable by the Controller until the reporting deadline of the LP, the control certificate of this partner report can be included in the next PPR, together with the control certificate of the current partner report.

Project periods shall not be merged by the project partners/Controllers because they are set in the subsidy contract. In case of expenditures not included in a partner report, those can be included in any of the upcoming partner reports. However, project partners shall be aware that deviations from the approved spending forecast are monitored by the MA/JS. In case of lower financial performance, the MA/JS will assess the level of under-spending and the reasons for it; in such a case, the MA/JS is entitled to decommit the project by reducing the project budget and the corresponding contribution from the Interreg Funds.

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 PPR and the AfR at project level.

Considering the timeframe needed for the preparation of the partner report at project partner level and the preparation of the PPR and the AfR by the lead partner, the Controllers shall fulfil the verification of expenditure within **60 calendar days**³.

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 calendar days		
Verification of expenditure and issuing the control certificate by the Controller		60 calendar days	

³ *DRP Programme complement (PC) 4.3 Control systems and management verifications: “In order to do so, each partner state should establish procedures so that 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 project progress reports by the lead partners within a three months period from the end of each reporting period.”*



Preparation and submission of the PPR and the AfR for the whole project by the lead partner to the MAJS		15 calendar days
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The Controllers **can set up different reporting deadlines for the project partners** (instead of 15 calendar days) in the national control guidelines, if applicable.

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 Region Programme will be regularly communicated to the Controllers to facilitate the planning of 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 PPR and the AfR might be missed jeopardizing the due reimbursement of expenditure to the project.

3.3 Reporting at partner level

According to the control procedure described above, each project partner, as well as the lead partner, has 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 the simplified version of the PPR as it is relevant for one project partner only. **The partner report is a standard reporting template of the Danube Region Programme to be submitted online through the Jems.**

The partner report to be submitted through the Jems 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 Jems ensures that the financial data needed to issue the control 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 Jems linked to cost categories.

The language of reporting is English for the transparency of the financial procedures and



to allow the preparation of the PPRs by the lead partners.

No further reports (like the partner report) should be requested by the Controllers at national level. However, additional information facilitating the fulfilment of the control activity might be needed, e.g. 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 control certificate if it fulfils the control requirements.

3.4 Control certificate

3.4.1 Issuing the control certificate

Having concluded the process of verification of expenditure, the Controller shall issue the control certificate in the Jems in order to prove that the expenditure has been verified.

The document is automatically generated by the Jems.

The control certificate shall be issued in Euro.

The **control report and control checklist** is another standard document for the verification of expenditure containing the checks performed by the Controller.

The control checklist is harmonised for the Danube Region Programme and are obligatory to be used by the Controllers in the Jems. The control report and checklist can be customised in the Jems by the MAJS according to DRP needs, but the same checklist shall be used by each Controller.

The control checklist contains the eligibility requirements and also the supporting documents needed for the verification of expenditure (see Annex 7.4).

The Jems generates the control certificate and the control report and checklist which can be printed and saved in Jems. There is no requirement at programme level to sign and stamp the generated documents, however, at national level it can be regulated differently. Additional checklists of the Controllers do not form part of the “control 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 into the Jems.



3.4.2 Re-issuing the control certificate

The re-issuing of the control certificate can be requested only before the approval of the AfR by the MA/JS in the following cases:

- a) Ineligible expenditure was included in the control certificate
- b) Expenditure was declared to wrong cost category
- c) Mistakes were made in reporting of expenditure items
- d) Amount affected by suspect of irregularity was included in the control certificate

In case the lead partner sends back the partner report for correction to the PP concerned, after the modification of the report the control certificate has to be re-issued if possible before the submission deadline of the PPR.

In case the re-issuing of the control certificate is requested by the MA/JS, the lead partner is responsible to re-submit the revised PPR and AfR to the MA/JS including the re-issued control certificates and any further documents requested within the deadline set by the MA/JS.

In case the re-issued and re-submitted control certificate is still not acceptable by the MA/JS after two completion rounds, the concerned control certificate will be reverted again to the Controller. Further completion rounds shall be individually authorised by the MA/JS. The corrective control certificate can be submitted along with the AfR to the subsequent reporting period.

Before the approval of the AfR by the MA/JS, it is also possible that the Controller establishes the need to re-issue the control certificate. Upon notification by the Controller, the MA/JS initiates the re-issue process in Jems.

3.5 Handling of irregularities in the control procedure

An “irregularity” is to be considered as any breach of applicable law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the budget of the Union by charging an unjustified expenditure to that budget in accordance with Article 2 (31) of the CPR.

The Controllers shall apply the following procedures for the issuing control certificates:

- 1) Irregularities suspected **before approval** of the AfR by the MA/JS:
 - 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 control certificate to be issued.
 - b) If the suspicion of irregularity is detected after the control certificate has been issued but before the approval of the AfR, the control 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 control 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 control certificate.

2) Irregularities suspected **after approval** of the AfR by the MA/JS:

- In case irregularities are suspected by the Controller (or any other programme management body) after the approval of the AfR, 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 Jems and attach it to the project concerned in Jems.

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 report⁴ received. The control certificate already issued by the

⁴ Partner states shall report on irregularities in accordance with the criteria for determining the cases of irregularity to be reported, the data to be provided and the format for reporting set out in Annex XII of the CPR.



Controller **shall not be re-issued**, and **the amount affected by irregularity shall not be deducted from any of the following control 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 AfR 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 AfR.
- b) **“Repayment”**: the irregular amount shall be repaid by the PP concerned through the LP to the Danube Programme Bank Account.

3) **Irregularities and reuse of EU contributions within the same project**

Any corrections made by the MA/JS **before including expenditure in a payment application** to the Commission is not a financial correction within the meaning of Article 103 (3) of the CPR and the resources can therefore be reused for the same operation.

This condition for the reuse of funds and certification of eligible expenditure by the Controller has to be confirmed by the MA/JS, since in most cases when the irregularity is reported to the MA/JS the expenditure had already been included into a payment application to the EC.

4) **Financial corrections and cancellation of EU contributions**

Article 103 of the CPR refers back to the definition of “operation”. An “Interreg project” constitutes one “operation” in the meaning of Article 2(4) of the CPR as a “group of projects” with multiple beneficiaries as project partners. Consequently, **financial corrections under Article 103 of the CPR apply to the Interreg operation as a whole: as per Article 103 (3) of the CPR, the contribution is cancelled for the whole operation and it cannot be reused for other projects implemented by other beneficiaries within the same Interreg operation.**

In case of closing projects, certain project partners are generating overspending while others are spending less than originally established in the subsidy contract. The underspending concerns a larger amount than the overspending and as a consequence, projects eventually incur less expenditure than planned. In parallel some incurred project expenditure might be found irregular.

The corrections under Article 143(2) of the CPR are to be calculated based on (cancelled from) the amounts of affected expenditure declared to the Commission. **The contribution cancelled in accordance with Article 103 (3) of the CPR therefore cannot be “offset” against the “savings” (part of the contracted amount unused)**. Furthermore, amounts unduly paid have to be repaid by the project partners to



the lead partner in line with the arrangements laid down in Article 26(1)(a) of the Interreg Regulation.

Example:

Original PP budget: 100.000 EUR

Expenditure affected by irregularity: 5.000 EUR

PP budget after cancellation: 95.000 EUR

The MA/JS can reimburse only the EU contribution part of the PP budget after cancellation.

The certified expenditure of the PP is maximum 100.000 EUR (original PP budget) and not 105.000 EUR!

IMPORTANT: The amount of the irregular expenditure cannot be reported again (reused and re-certified) as eligible expenditure!

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 amendment occurs.

The MA/JS will review the request for modification and make a decision on the modification request according to the rules laid down in the 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 Jems.

3.7 Control function of the Jems

3.7.1 General description of control function in the Jems

The control function of Jems supports the reporting procedure at national level. The financial data registered in the system on partner level enables each project partner to prepare and submit the partner report via Jems which can be verified by the Controllers in the system. When preparing the PPR on project level, the system aggregates the financial data included in each project partner's control certificate.

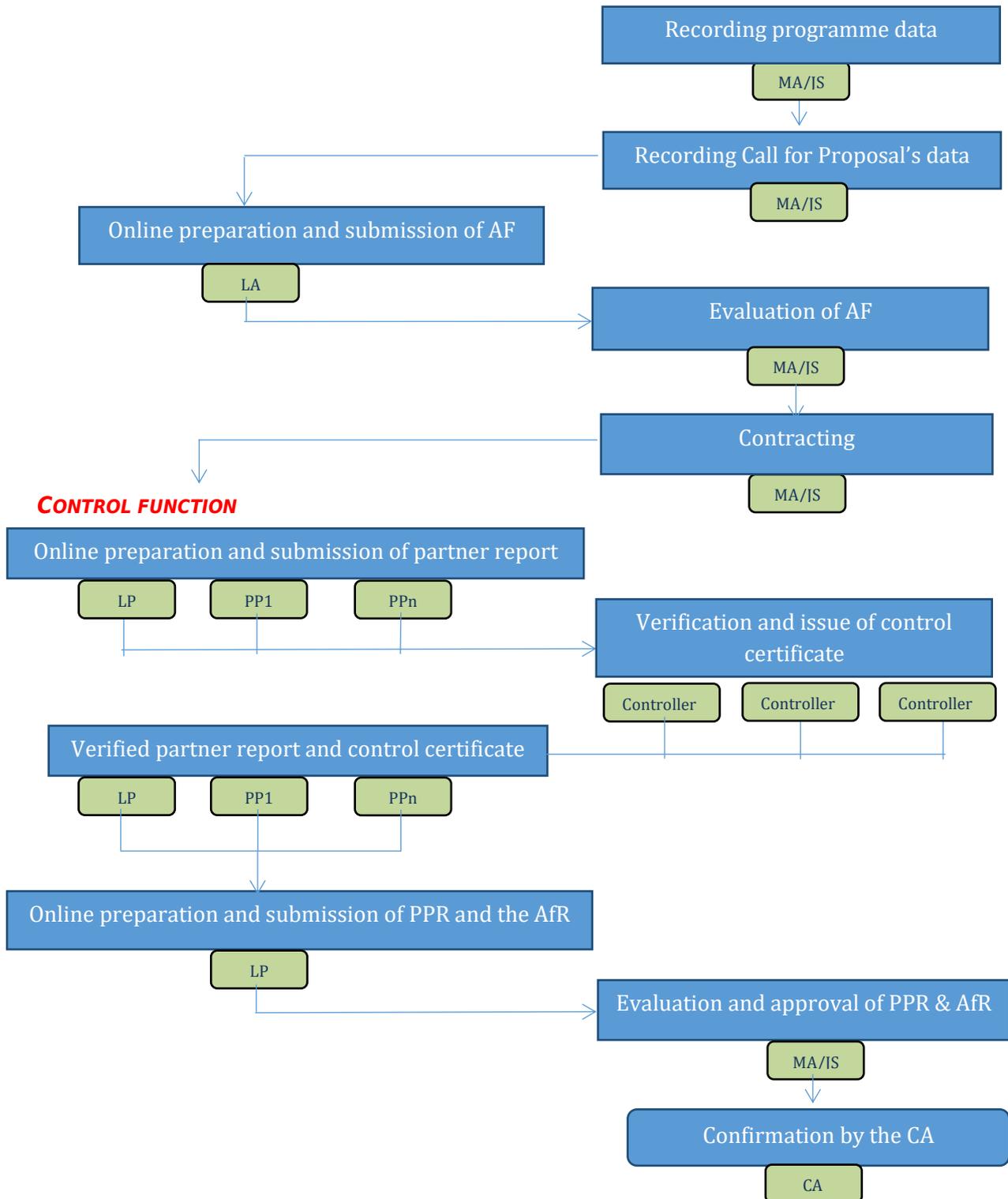


This control function provides several advantages:

- Uniformity of procedures for the verification of expenditure (standard checklists, templates, verification process concluded in the system)
- Shorter timeframe of the verification process: online submission of the partner report and the control 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 PPRs by aggregating the verified expenditure from partner level.



3.7.2 Overview of general procedures in the system





3.7.3 Control procedures supported by the Jems

1) Online preparation and submission of partner report (project partners)

The project partner records the data of the partner report in Jems, 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 Jems 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 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 PPR.

The following financial data shall be recorded:

- Expenditure incurred and paid in the reporting period recorded at invoice level and all supporting documents uploaded under relevant "Attachment section" of respective expenditure item in Jems
- Information related to public procurements (if applicable)
- Partner contribution

Financial data recorded by the project partner and verified by the Controller will automatically be aggregated up to the project level, after the control certificate has been issued.

➤ **Attachments**

➤ **Document generated by the system**

The partner report is generated by Jems after built-in checks carried out automatically by the system.

2. Online submission of the partner report via Jems to the Controller

2) Verification of expenditure (Controllers)

After submission of the partner report, the verification of expenditure is fulfilled by the Controller in Jems. The processes are standard for all Controllers by using standard checklists. In case modification is needed, the checklists can be customised in Jems by the MA/JS in agreement with the Controllers. Checklists filled in by the Controllers will be



stored in the Jems. All checklists will be visible read-only also to partners once control is finalised.

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 control checklist in Jems
- **On-the-spot check** (if relevant)
- **Deduction of ineligible amounts in Jems** (if relevant)
- **Attachments**
 - Checklists of Controllers not included in the Jems (e.g. procurement checklist of the national control system)
 - On-the-spot check report, if relevant
 - Audit report, if any
- **Documents generated by Jems**
 - Control certificate
 - Control report and control checklist

2. Issuing the control certificate

After verification of expenditure, the Controller issues the control certificate in Jems. The control certificate will be available online in Jems to the project partner.

3) Availability of control certificates and aggregated financial data to the LP

The partner reports and the related control certificates are available to the lead partner in Jems (for review and preparation of the PPR). The system enhances the preparation of the PPR and the AfR by aggregating verified expenditure from the partner level. All supporting documents attached to the partner report will also be available electronically for the LP in the Jems.

3.7.4 National level functions not supported by Jems

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

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



3.7.5 Verification of expenditure in case of non-availability of Jems

In case the Jems does not ensure the performance of the tasks of the project partners and the Controllers (i.e. the preparation of the partner report and the verification of expenditure in Jems), the partner report and the supporting documents shall be submitted on paper to the Controller for verification purposes. The Controllers shall prepare the control certificate on paper in 2 copies and send it to the project partner. The project partner shall send 1 copy of the control certificate to the LP.

The PPR, the control certificates and the AfR shall be prepared and submitted by the LP to the MAJS 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 Jems shall be recorded into the system afterwards.

4. Control requirements

Controllers are identified by each partner state to ensure that management verifications referred to in point (a) of Article 74(1) of the CPR are carried out to verify that the co-financed products and services have been delivered, that the project complies with applicable law, the Programme and the conditions for support.

Where costs are to be reimbursed on a real-cost basis, Controllers shall verify that the amount of expenditure claimed by the project partners in relation to these costs has been paid and that project partners maintain separate accounting records or use appropriate accounting codes for all transactions relating to the project.

Whereas in case costs are reimbursed in the form of SCOs (i.e. lump sums or on a flat-rate basis), Controllers shall verify that the conditions for reimbursement of expenditure to the project partner have been met.

Management verifications shall be risk-based and proportionate to the risks identified ex ante and in writing. Verifications concluded by the Controllers shall include the following procedures:

- administrative verifications in respect of payment claims made by beneficiaries;
- on-the-spot verifications of operations.

Controllers shall be nominated in line with the national provisions of each partner state. Each country participating in the DRP will be responsible for verifications carried out on its territory and ensure that the expenditure of a beneficiary can be verified in accordance with Article 46(6) of the Interreg Regulation.



4.1 Programme level requirements for risk based management verifications

4.1.1 Programme level requirements for administrative verifications

The following samples of expenditure related to real cost should be checked by the Controller:

- Staff cost: all costs included in the first two partner reports are to be fully checked (no sampling possible);
- Travel and accommodation costs reported on real costs basis: 100% check for each partner report is required (no sampling possible);
- Equipment: equipment that form part of an investment listed in the application form have to be fully checked in each partner report (no sampling possible);
- Infrastructure and works: items that form part of an investment listed in the application form have to be fully checked in each partner report (no sampling possible);
- Procurements and public procurement (external expertise, equipment, infrastructure): above 10,000 EUR net contracted amount are to be fully checked in each partner report (no sampling possible).

The remaining items in the list of expenditures that are not identified above (e.g. staff costs reported from the third reporting period, procurements below 10,000 EUR net, etc.) shall be at least verified on a sample basis. A minimum of 10% (but not less than 2 items) of the remaining items at the level of each cost category (other than SCOs) shall be checked.

In addition to the expenditure items included in the sample, the Controller can decide to extend the sample to additional items (e.g. in case of suspicion of irregularity/fraud). Using their professional judgement, Controllers can extend the sample to similar types of expenditure, to the whole cost category concerned or to 100% of the list of expenditure. In such case, a detailed explanation should be provided in the report.

4.1.2 Programme level requirements for on-the-spot verifications

The following items shall be checked on-the-spot (checking the existence, i.e. technical and physical aspects of the project)

- Thematic equipment and equipment forming part of an investment
- Infrastructure and works

This on-the-spot verification should take place once the costs related to the equipment/infrastructure costs have been reported. If the Controllers detect any potential irregularities during their check of the sample, the sample should be extended.



4.1.3 Technical aspects of the sample to audit trail

The sample will be drawn by the JEMS⁵ based on the items included in the list of expenditure by the project partner. All supporting documents shall be uploaded by the partners to the Jems. Controllers will have the possibility to extend the sample in the Jems if it is justified. The scope and reason for extension should be documented in the control certificate.

4.2 Administrative verifications

As a general principle, the lead partner can include in the AfR only expenditure verified by the Controller.

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

The results of the desk based checks have to be documented in the control certificate.

The “**Administrative verifications**” 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 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) fulfilled the conditions for payment.
6.	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.
7.	Relevant EU/national/institutional and programme procurement rules were observed.
8.	EU and programme publicity rules were followed.
9.	Co-financed products, services and works were actually delivered in accordance with the subsidy contract and application form.

⁵ it will be available later



10.	Expenditure is related to activities in line with the application form and the subsidy contract.
11.	Expenditure verified is not affected by irregularity or any suspected irregularity or fraud.
12.	No evidence of infringements of rules concerning sustainable development, equal opportunities and non-discrimination, state aid has been found during the verifications.
13.	No evidence of double-financing of expenditure through other financial source(s) has been found during the verifications.
14.	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. This method shall be applicable to all project partners coming from countries which have not adopted the Euro.

4.3 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- verifications performed by the Controller can take place:

- at premises of the project partner or
- at any other location where the project is implemented

It is possible to perform on-the-spot checks virtually (by online meeting tools, video recording and photo-documentation) 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.

It is mandatory to perform on-the-spot checks at the premises of the project partner or any other location where costs of thematic equipment or costs of an equipment forming part of an investment or costs of infrastructure and works occur during the implementation of the project. In this case, virtual on-the-spot checks are possible only in addition to the mandatory on-the-spot checks carried out at the location of the project.

In case of projects with costs of equipment which are not thematic equipment or equipment forming part of an investment, it is possible to preform only virtual on the spot checks.

On-the-spot checks of individual projects may be carried out on a sample basis. The methodology for the on-the-spot checks shall be described in the description of the national control system of the each partner state (Annex 7.1), i.e whether :

- On-the-spot checks are performed for all partners and for all partner reports;



- On-the-spot checks are performed at least once during the project implementation for all partners. Additional on-the-spot checks are done on a sample basis according to the results of risk assessment;
- 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 documented;
- Other methodology has been established.

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.

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

Verifications regarding the accounting system and audit trail:

1.	Separate accounting system or an adequate accounting code is maintained for all transactions on a real cost basis relating to the project by the lead partner/project partner.
2.	The expenditure declared corresponds to the accounting records and supporting documents held by the lead partner/project partner.
3.	Invoices related to expenditure already declared are available at the premises of the lead partner/project partner.
4.	Audit trail relevant for the lead partner/project partner exists and is complete at the premises of the lead partner / project partner.

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 Partners from EU Member States is in line with the EU and national public procurement rules, and the programme specific rules. In case of non-EU Partners the procedures are line with the provisions of the Financial Regulation 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 Region Programme are respected.
3.	According to the evidence obtained, double-financing of expenditure with other EU funds is avoided.

4.4 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 Region Programme introduced the Jems 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 control certificate and the control report and checklist which contain all aspects of the verifications including the results of the checks in details.

The control certificate as well as the control report and control checklist will automatically be stored by the Jems in electronic form. Originals of the control certificate and the control report and 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 Jems.

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 on the originals with the following text:

Danube Region Programme/DRP

Project code:

Acronym:



Project partners shall upload all supporting documents to the partner report into the relevant section of Jems. No supporting documents are expected to be provided outside of Jems by the project partner to the Controller (e.g. in paper version or other formats), however, they shall be in evidence e.g. for on-the-spot checks at the project partner's premises.

On-the-spot checks should also be properly documented as part of the control checklist. 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 additional work records shall be uploaded in Jems by the Controller in the 'Control communication section'.

The following documents should be retained by the Controllers concerning the verification of expenditure of each project partner. The DRP does not require Controllers to keep documents which are stored in the Jems 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	Jems
2.	Partnership Agreement (and its amendments)	Electronic version	Jems
3.	Subsidy contract (and its amendments)	Electronic version	Jems
4.	Partner reports	Electronic version (and/or original ⁶)	Jems
5.	Control certificate	Electronic version (and/or original ⁷)	Jems
6.	Each invoice and accounting document of probative value related to the project expenditure	Electronic version (and/or original ⁸)	Jems
7.	Supporting documents related to project expenditure e.g. payslips, bank statements, contracts between project partner and subcontractors, etc.	Electronic version (and/or original ⁹)	Jems
8.	Supporting documents in large size e.g. public procurement documents	Electronic version (and/or original ¹⁰)	As applied at national level
9.	All project deliverables (materials produced during the project period) submitted with the partner reports	Electronic version (and/or original ¹¹)	As applied at national level
10.	Control report and checklist related to each partner report	Electronic version (and/or original ¹²)	Jems

⁶ As regulated at national level

⁷ As regulated at national level

⁸ As regulated at national level

⁹ As regulated at national level

¹⁰ As regulated at national level

¹¹ As regulated at national level

¹² As regulated at national level



11.	Letters for completion / clarifications sent by the Controllers	Electronic version (and/or original ¹³)	Jems
12.	Documentation of each request for missing documents, completion of the partner reports	Electronic version (and/or original ¹⁴)	Jems / in case of large documents as applied at national level
13.	If relevant, documentation of on-the-spot checks (minutes/reports, checklists, etc.)	Electronic version (and/or original ¹⁵)	Jems
14.	Audit reports, if relevant	Original/copy/electronic version (in the form received from the body performing the audit)	Jems

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

Detailed and specific eligibility rules to be followed during the project implementation period are laid down in the “Manual on eligibility of expenditure” including the supporting documents requested for each cost category, as well as the checks to be performed by the Controllers.

6. Control Systems

6.1 Description of the national control system

According to Article 69(1) of the CPR each partner state shall have a management and control system for their programmes and ensure their functioning. For this purpose each partner state shall identify the body or person responsible for verifying the legality and regularity of the expenditure on its territory declared by each project partner participating in the project (the “Controller”).

The description of the national control system shall provide information on the identified 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

¹³ As regulated at national level

¹⁴ As regulated at national level

¹⁵ As regulated at national level



timeframe for the verification of expenditure, including information on risk based sampling 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 state co-financing (if applicable). The procedures applied at national level for handling irregularities and repayments and information about the system of national co-financing shall also 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 updated version of the description of the national control system of the partner state concerned.

Each partner state shall provide the description of the national control system to the MA/JS in a standard form of the DRP (please see Annex 7.1).

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.

6.2 Identification and selection of Controllers

6.2.1 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.

In line with Article 46 (9) of the Interreg Regulation, where the Controller carrying out management verifications is a private body or a natural person, those Controllers shall meet at least one of the following requirements:

- (a) be a member of a national accounting or auditing body or institution which in turn is a member of International Federation of Accountants (IFAC);
- (b) be a member of a national accounting or auditing body or institution without being a member of IFAC, but committing to carry out the management verifications in accordance with IFAC standards and ethics;
- (c) be registered as a statutory auditor in the public register of a public oversight body in a Member State in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (21); or



(d) be registered as a statutory auditor in the public register of a public oversight body in a third country, partner country or OCT, provided this register is subject to principles of public oversight as set out in the legislation of the country concerned.

The selection of the individual Controller is either based on a shortlist preliminary established by the control coordination body or selected by 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, e.g. by issuing a signed designation form at partner level. This designation 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 forms for assigning the individual Controllers, under condition that the audit trail is kept by the control coordination body.
- 2) The control coordination body shall send the list of designated Controllers (Annex 7.2) to the MA/JS. The list shall be up-dated regularly, but at the least together with the up-date of the description of the national control system.
- 3) The MA/JS will provide access to the Jems to the control coordination bodies (Control assignment body in Jems) and to the responsible Controllers as described in the Jems Guideline on Control (*it will be available later*).
- 4) The control coordination body is responsible for assigning the responsible Controller(s) to the relevant project partner(s) in Jems.
- 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 Jems.
- 6) The signed designation form (or other equivalent document) for the individual Controller shall be uploaded by the Controller to the Jems together with the relevant control certificate.

6.2.2 Designated Controllers in centralised control systems

- 1) In case of centralised control systems, the control body appoints the staff for the verification of expenditure of project partners involved in the Danube Region Programme.
- 2) The control body shall provide the MA/JS with the list of staff responsible for the control tasks for the DRP using the form “list of designated Controllers” (Annex 7.2) to the MA/JS. The list shall up-dated regularly, but at the least with the up-date of the description of the national control system.



- 3) The MA/JS will provide access to the Jems to the control body (Control assignment body in Jems) and to the responsible Controllers as described in the Jems Guideline on control.
- 4) The control body is responsible for assigning the responsible Controller(s) to the relevant project partner(s) in Jems.
- 5) 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 Jems.

6.3 Reporting irregularities

Prevention, detection, reporting and follow-up of irregularities, including recovery of amounts unduly paid are regulated in the Article 69, Article 74, Article 97 and Article 103 of the CPR and Article 52 of the Interreg Regulation.

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 Jems 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 69(2) and (12) of the CPR. This report shall also be sent to the MA/JS.
- e. Reporting irregularities with financial consequences which are exempted from reporting in line with Article 69(2) and (12) of the CPR shall be submitted 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.

6.4 Anti-fraud measures

Controllers have to follow the Anti-Fraud Strategy of the DRP 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 DRP MA/JS to coordinate and perform the overall fraud risk assessment.

In order to conclude the fraud risk self-assessment exercise the MA/JS 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 and the input from the Controllers would be requested at least one month prior to the assessment.

6.5 Audits

6.5.1 System audits

According to the Article 48 of the Interreg Regulation 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 requirement
- 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*.

6.5.2 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 common sample of operations selected by the Commission representative of all Interreg programmes and, as a general rule, on statistical sampling methods. Unless requested by the Commission, Audit Authorities for Interreg programmes covered by the common sample shall not carry out any additional audits of operations.

Audit of operations are carried out in line with article 48 and 49 of the Interreg Regulation. For the purposes of audit of operations the programme authorities shall provide information necessary for the selection of a common sample to the Commission by 1 August following the accounting year. Based on this, the Commission informs the Audit Authorities in general by 1 September following each accounting year on the selection.

The projects selected for audit of operations will be audited desk based or 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.

The Audit Authority shall submit then information on the results of these audits as well as on any financial corrections taken.

In case of irregularities, or ineligible expenditure detected by audit the procedures described in Section 3.5 have to be followed.



Following the assessment of the overall audit results the Commission will calculate a global extrapolated error rate. Where this rate is over 2%, the global residual error rate is calculated taking into account the financial corrections applied and where this is above 2% the Commission will determine whether additional audit work is necessary. Based on this the Commission may apply additional financial corrections.

6.6 Network of Controllers

In order to ensure smooth functioning of the control system in the partner states, the DRP 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 DRP 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 may 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.

7. Annexes

- **7.1 Control system description template**
- **7.2 List of designated Controllers**
- **7.3 Control certificate**
- **7.4 Control report and checklist for project**