

Romania-Ukraine Joint Operational Programme 2014-2020

Expenditure verification procedures

*Training for controllers
17th of November 2020*



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Overview

- **Instruction no 2. from October 2020 provides** the main aspects, responsibilities, tasks and procedures to be considered both by the controllers and beneficiaries during the expenditure verification of a grant contract;
- The beneficiaries and the controllers must be aware of and apply the rules and procedures as laid down in the Instruction and corresponding annexes;
- Until the EMS-ENI system is fully operational, the expenditure verification process shall be performed by using documents in hard-copy and in electronic version;
- **Instruction no.2** has been modified through Instruction **no.3 from 03 November 2020.**
- All documents are uploaded on the programme website www.ro-ua.net



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List of annexes

- **Annex 1** – Template of Service Contract between the Beneficiary and the Controller (only for beneficiaries and controllers from Ukraine)
- **Annex 2** – List of Indicative supporting documents required for Expenditure Verification
- **Annex 3** – Procurement Risk Indicators
- **Annex 4** – Control check–list
- **Annex 5** – Template of Report on suspected and/or established fraud or corruption
- **Annex 6** – General Declaration by the Lead beneficiary – Beneficiary
- **Annex 7** – Declaration on the worked number of hours
- **Annex 8** – Template of Expenditure and Revenue Verification Report
- **Annex 9** – Template of Consolidated Report on expenditure and revenue verification
- **Annex 10** – Financial Report
- **Annex 11** – TESIM Guide on procurement by private project beneficiaries in Ukraine
- **Annex 12** – Template of on the spot verification report
- **Annex 13** – Declaration of impartiality and confidentiality



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Instruction no.2/2020 – Controller main responsibilities (1)

- The **Controller** shall:
 - ❖ Perform the agreed-upon procedures concerning the expenditure verification;
 - ❖ Verify 100% of all expenditures and revenues reported by the Beneficiary;
 - ❖ Perform, at least once during the project lifetime, an on the spot visit at the Beneficiary location;
 - ❖ In the case of Hard projects/ large infrastructure projects, when the expenditure related to infrastructure is more than 100.000 euros, the controller mandatorily performs a on the spot visit;
 - ❖ Ask the Beneficiaries for clarifications if the case may be and validate only the verified costs*;
 - ❖ Provide the National Authority a Report whenever fraud or corruption is suspected and/or established;
- * If the beneficiary does not deliver in the set deadline (5 days) the explanations/additional documents to the controller, the Beneficiaries may claim the costs in the next reporting period*

Instruction no.2/2020 – Controller main responsibilities (2)

- Include any suspected irregularity in the expenditure and verification report and inform the National Authority;
- Access the EMS- ENI account based on the provided credentials, when the system is fully operational;
- Issue **the expenditure and revenue verification report**.
- Supplementary, based on individual reports, the **Lead Beneficiary's Controller** will produce a **consolidated expenditure and revenue verification report*** at project level.
- The **Beneficiary** shall make available to the Controller a copy of the Grant Contract with its annexes, the Partnership Agreement, their amendments and any other relevant information.

**The Lead Beneficiary's Controller does not verify the costs and revenues declared at the level of the other beneficiaries nor the justification documents.*



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Instruction no.2/2020 - Procedures to be performed

| General procedures | Procedures to verify expenditure | Specific Procedures |
|--|---|--|
| <ul style="list-style-type: none">• Provisions of the Grant Contract• Financial Report for the Grant Contract• Rules for Accounting and Record keeping• Reconciliation• Exchange Rates | <ul style="list-style-type: none">• Eligibility of costs• Eligible Direct Costs• Indirect costs• In kind contributions• Non-eligible costs• Revenues of the Action | <ul style="list-style-type: none">• Verification evidence• Verification coverage (100%)• On the spot visit |



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Instruction no.2/2020 – General procedures

Establish:

- The possibility of the controller to **request clarifications** from the Beneficiary as regards the content of the Grant Contract (GC);
- The **conditions for verifying** (in accordance with the GC) the financial report;
- The rules for **accounting and record keeping**;
- The **reconciliation** by the controller of the information from the financial report with Beneficiary's accounting and book-keeping system;
- **Exchange rates** (*conversion into euro shall be made by each Beneficiary using the monthly accounting exchange rate of the European Commission of the month during which the expenditure was submitted for verification*).



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Instruction no.2/2020 – Procedures to verify the expenditure (1)

Eligibility of Costs - the Controller verifies, for each expenditure item if:

- was **incurred and paid** by the Beneficiary during the implementation period of the project;
- the expenditure included in the financial report **corresponds** with and is indicated in the budget;
- was **necessary/ timely recorded** in the Beneficiary's accounting;
- **complies** with the Grant Contract, programme financial rules, and with the requirements of tax and social security legislation;
- is **reasonable and justified** through supporting documents;
- the monetary value of the expenditures is **compliant** with underlying documents;
- the expenditure was incurred in the **programme area or outside** the area, according to the programme rules;
- the **compliance with procurement rules** applicable at Programme and national level;
- **compliance with the information and visibility rules** of the Programme.



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Instruction no.2/2020 – Procedures to verify the expenditure (2)

- **Eligibility of direct costs** – the controller verifies that expenditure items recorded under direct costs budget lines of the Financial Report are covered by the direct costs as defined by the Grant Contract;
- **Indirect costs** – the controller is not required to verify these costs;
- **In kind contributions** – the controller verifies that the costs in the Financial Report do not include contributions in kind; these do not represent actual expenditure and are not eligible;
- **Non-eligible costs** – the controller verifies if the GC provision are respected as regards these type of costs;
- **Revenues** – the grant may not produce profit for the Beneficiary during the implementation period. The controller examines whether the revenues which should be attributed to the project have been allocated to the project and declared in the Financial Report.



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Instruction no.2/2020 – Specific Procedures

Establish:

- The **details concerning the verification of expenditure** and revenues including the verification of evidence;
- **Verification coverage:** 100%;
- The **aspects** to be taken into account when the controller performs the on the spot visit.



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Annex 1 - Template of Service Contract between the Beneficiary and the Controller

- Establishes the **responsibilities and obligations** of the controller and beneficiary and ensures that the Programme procedures are complied with.
- The beneficiary provides to the Controller the Financial Report, **access** to its accounting, supporting documents, project documentation, physical investments and any requested clarification.
- The controller provides an **individual** report of expenditure and revenue verification;
- Supplementary to the individual report, the Controller of **lead beneficiary** will provide the **consolidated** (at project level) expenditure and revenue verification report;
- The contract **enforces** clear deadlines, minimum standards and ethics, establishes the provisions for full and partial suspension of the contract, extension and termination, administrative penalty causes.
- The Joint Technical Secretariat, the Managing Authority or the Control Contact Point may carry out **control** of the work carried out by the Controller.



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Annexes to be used by the controllers (I)

| Annex | Content |
|--|---|
| A2 - List of Indicative supporting documents | <ul style="list-style-type: none">• When performing the verification the Controller takes into consideration the list (organized by type of costs/ budget lines). |
| A3 - Procurement Risk Indicators | <ul style="list-style-type: none">• The Controller verifies whether the Beneficiary has concluded, according to the procurement rules set out in the Grant Contract, implementation contracts with contractors. When examining supporting documents, the Controller takes into account the risk indicators listed in Annex 3. |
| A4 - Control Check-List | <ul style="list-style-type: none">• When undertaking the verification, the Controller shall use the Check-list which shall be filled in and attached to the Expenditure and revenue verification report. |



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Annexes to be used by the controllers (II)

| Annex | Content |
|--|--|
| A5 - Report on suspected and-or established fraud or corruption | <ul style="list-style-type: none">• If the case may be, the controller shall elaborate a report on suspected and/or established fraud or corruption and will submit it directly to the National Authority without any need of informing the concerned Beneficiary. |
| A8 - Template of Expenditure and Revenue Verification Report | <ul style="list-style-type: none">• The controller shall provide sufficient detail to enable the Beneficiary (or Lead Beneficiary) and the Managing Authority to understand the nature and extent of the performed procedures and the reported factual findings. |
| A9 - Template of Consolidated Report on expenditure and revenue verification | <ul style="list-style-type: none">• The controller will produce the consolidated report based on the expenditure and revenue verification reports (Annex 8) of each Beneficiary. The Controller examines whether the expenditure in the individual control reports are correctly transferred to the consolidated control report. |



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Annexes to be used by the controllers (III)

Annex

Content

A12 - Template of on the spot verification report

- The annex will be used by the Controller during the on the spot visit

A13 - Declaration of impartiality and confidentiality

- The controller, for the purpose of carrying out the expenditure verification fill in the declaration concerning the impartiality and confidentially.



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[❏ Instruction no. 3 from November 2020, modifying instruction no. 2 from October 2020 laying down specific provisions for beneficiaries regarding the expenditure verification of a grant contract funded under the ENI CBC Joint Operational Programme Romania - Ukraine 2014-2020 \(Annexes\)](#)

[❏ Request for individual report check \(Romanian beneficiaries\)](#)

[❏ Instruction no. 2 from October 2020 laying down specific provisions for beneficiaries regarding expenditure verification \(Annexes\)](#)

[❏ Interim report with payment request - Template of the Narrative report](#)

[❏ PROCEDURE regarding financial corrections/reducing of the grant to be applied to projects that do not/partially achieve the indicators set in the grant contract](#)

[❏ Factsheet on procurement by project public beneficiaries in Ukraine](#)

[List of independent auditors approved by the Ministry of Finance of Ukraine](#)

[Information about the new thresholds in Ukrainian Law on public procurement in connection with the procedure of procurement of audit services -](#)

<https://mof.gov.ua/en/284-do-uvagi-auditory>



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Thank you!

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