

MANUAL OF PROCEDURES FOR THE CONTROL BODY IN SERBIA

European Territorial Cooperation
Programmes under shared
management 2021-2027

| Version | Date | Comment |
|---------|-------------|----------------------------|
| 1.1 | 17.10.2024. | Final version for approval |

| | Name and position | Date | Signature |
|--------------|---|-------------|---|
| Approved by: | Slađana Janković, Head of Division for control of projects financed under the ETC programmes with EU Member States | 10.10.2024. |  |
| | Sanda Šimić, Acting Assistant Minister, Head of NA | 17.10.2024. |  |

Preface

This manual sets out the formal duties of the Serbian Control Body within the Division for control of projects financed under the European territorial cooperation programmes with EU Member States of the Ministry of European Integration of the Republic of Serbia, with regards to the IPA III financing of Cross-Border Cooperation (CBC), Transnational Cooperation (TNC) and Interregional (IR) programmes under shared management i.e. Interreg IPA CBC and TNC/IR programmes.

The primary targeted audience are Controllers responsible for Serbian IPA III CBC and TNC/IR shared management programmes. Therefore, responsibility for preparation, review and revision of these procedures rests with the Control Body, and they are formally issued by its Head, and approved by the Head of the CB and Head of NA. They are therefore binding for all controllers, and shall apply to each of the aforementioned programmes until their final and formal closure by the EC.

The present procedure provides information and guidelines on the minimum requirements of the controller's verification process and on the overall scope of the controller's work.

The present Manual should be considered as a summarized version of most control related issues laid down in different programme documents, as well as regulatory framework at EU and national level.

Modification of the Manual

The following steps and actions are to be taken when the Manual needs to be amended:

| Steps | Action | Person responsible | Audit trail |
|--------------|--|---------------------------|--|
| 1. | Receive or draft proposal to amend the Manual | Head of CB | Proposal with justification, no template |
| 2. | Review proposal and send for opinion to Head of NA | Head of CB | E-mail, correspondence |
| 3. | Review proposal and provide opinion | Head of NA | E-mail, correspondence |
| 4. | Update comments (if applicable) and send for approval | Head of CB | E-mail, correspondence |
| 5. | Approve modified version | Head of CB and Head of NA | "Approved" field on cover of Manual |
| 6. | Transmit modified version to Head of CB/NA, inform staff of CB and NA, store in file | Head of CB | Manual |

1 Contents

| | |
|--|----|
| 1. ETC IN GENERAL | 5 |
| 1.1 ETC ‘JOINT’ PRINCIPLE | 5 |
| 1.2 ETC ‘LEAD PARTNER’ PRINCIPLE | 6 |
| 1.3 ETC FUNDING | 6 |
| 2. ETC PROGRAMMES IN SERBIA | 8 |
| 2.1 NATIONAL AUTHORITY | 9 |
| 2.2 CONTROL BODY | 9 |
| 3. SHARED MANAGEMENT SYSTEM | 11 |
| 4. CONTROL BODY | 13 |
| 4.1 INTRODUCTION | 13 |
| 4.2 SET UP AND ROLE OF THE CONTROL BODY IN SERBIA | 13 |
| 5. HUMAN RESOURCES | 15 |
| 6. LIST OF PROGRAMMES AND DEADLINES | 17 |
| 7. CONTROL BODY PROCEDURES | 18 |
| 7.1 OVERVIEW OF THE REPORTING PROCESS AND ROLE OF THE CONTROLLERS | 18 |
| 7.1.1 INTERNAL WORKFLOW OF THE CONTROL BODY PROCEDURES | 20 |
| 7.2 MANAGEMENT VERIFICATIONS DELEGATED TO CONTROLLERS | 22 |
| 7.2.1 MANAGEMENT VERIFICATIONS IN GENERAL | 22 |
| 7.2.2 RISK-BASED MANAGEMENT VERIFICATIONS | 24 |
| 7.2.3 TYPES OF MANAGEMENT VERIFICATIONS | 25 |
| 7.2.3.1 ADMINISTRATIVE (DESK-BASED) VERIFICATION | 26 |
| 7.2.3.1.1 FOUR EYES PRINCIPLE | 28 |
| 7.2.3.1.2 QUALITY CONTROL | 28 |
| 7.2.3.2 ON-THE-SPOT VERIFICATIONS | 28 |
| 7.2.3.2.1 ON-THE-SPOT SPECIFICS FOR EQUIPMENT | 31 |
| 7.2.3.2.2 ON-THE-SPOT SPECIFICS FOR INFRASTRUCTURE AND WORKS | 32 |
| 7.2.3.2.3 INTERNAL PROCEDURE OF THE CB FOR ON-THE-SPOT VERIFICATIONS | 32 |
| 7.3 MAJOR AND SUPPORTING PROCEDURES OF THE CONTROL BODY | 34 |
| 7.4 DOCUMENTING OF CHECKS AND REPORTING ON THE WORK OF THE CONTROL BODY | 36 |
| 7.4.1 CLARIFICATION OR MODIFICATION OF CONTROL CERTIFICATES | 37 |
| 7.5 REPORTING TO AND CONTROL BY THE NA | 38 |
| 7.5.1 INTERNAL PROCEDURE OF THE CB FOR REPORTING ON CONTROL WORK .. | 38 |

| | | |
|------------|--|----|
| 8. | ELIGIBILITY FRAMEWORK | 40 |
| 8.1 | LEGAL FRAMEWORK | 40 |
| 8.1.1 | EU RULES | 41 |
| 8.1.2 | PROGRAMME RULES | 42 |
| 8.1.3 | NATIONAL ELIGIBILITY RULES | 42 |
| 8.2 | GENERAL ELIGIBILITY RULES | 42 |
| 8.2.1 | EU HORIZONTAL PRIORITIES | 43 |
| 8.2.2 | GENDER EQUALITY AND EQUAL OPPORTUNITIES | 44 |
| 8.2.3 | SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PROTECTION | 44 |
| 8.2.4 | ANTI-FRAUD POLICY | 45 |
| 8.3 | TERRITORIAL ELIGIBILITY | 45 |
| 8.4 | TIME-WISE ELIGIBILITY | 45 |
| 8.5 | INELIGIBLE COSTS | 46 |
| 8.6 | EXCHANGE RATES | 46 |
| 9. | COST CATEGORIES | 47 |
| 9.1 | PREPARATION COSTS AND CLOSURE COSTS | 47 |
| 9.2 | STAFF COSTS | 48 |
| 9.2.1 | AUDIT TRAIL FOR REAL STAFF COSTS | 50 |
| 9.3 | OFFICE AND ADMINISTRATIVE COSTS | 51 |
| 9.4 | TRAVEL AND ACCOMMODATION COSTS | 52 |
| 9.4.1 | AUDIT TRAIL FOR REAL TRAVEL COSTS | 53 |
| 9.4.2 | SCO FOR TRAVEL AND ACCOMMODATION COSTS | 54 |
| 9.5 | EXTERNAL EXPERTISE AND SERVICES COSTS | 55 |
| 9.5.1 | AUDIT TRAIL FOR EXTERNAL EXPERTISE AND SERVICES REAL COSTS | 56 |
| 9.5.2 | SCO FOR EXTERNAL EXPERTISE AND SERVICES | 57 |
| 9.6 | EQUIPMENT COSTS | 57 |
| 9.6.1 | AUDIT TRAIL FOR EQUIPMENT COSTS | 58 |
| 9.6.2 | SCO FOR EQUIPMENT COSTS | 59 |
| 9.7 | COSTS FOR INFRASTRUCTURE AND WORKS | 59 |
| 9.7.1 | AUDIT TRAIL FOR COSTS FOR INFRASTRUCTURE AND WORKS | 60 |
| 9.7.2 | SCO FOR INFRASTRUCTURE AND WORKS | 60 |
| 10. | PUBLIC PROCUREMENT | 61 |
| 10.1 | TENDER PROCEDURE WALK-THROUGH | 65 |
| 10.2 | APPLICATION OF FINANCIAL CORRECTIONS BY CONTROLLERS | 72 |
| 11. | VISIBILITY | 72 |
| 12. | ACCOUNTING | 73 |

| | | |
|---------------|--|-----------|
| 13. | COMPLAINTS ON CONTROLLER’S WORK | 74 |
| 14. | IRREGULARITIES | 76 |
| 14.1 | INTRODUCTION | 76 |
| 14.2 | DEFINITIONS | 77 |
| 14.3 | ACTORS INVOLVED IN THE MANAGEMENT OF IRREGULARITIES | 80 |
| 14.4 | IRREGULARITIES COMMISSION | 80 |
| 14.4.1 | THE PROCEDURE FOR TREATING SUSPECTED AND CONFIRMED IRREGULARITIES | 81 |
| 14.4.2 | CHECKING THE SIGNAL (TASKS OF IRREGULARITIES COMMISSION) | 83 |
| 14.4.3 | DECISION ON IRREGULARITIES | 84 |
| 14.4.4 | FOLLOW-UP OF CONFIRMED IRREGULARITIES AND MONITORING | 85 |
| 14.4.5 | REGISTER OF IRREGULARITIES | 85 |
| 14.4.6 | REPORTING | 85 |
| 14.4.7 | REPORTING TO THE EC | 86 |
| 15. | LIST OF ABBREVIATIONS | 88 |
| 16. | GLOSSARY OF TERMS | 90 |

1. ETC IN GENERAL

The European Union cohesion policy intends to strengthen the Community's economic and social cohesion in order to **promote a harmonious, balanced and sustainable development** of the Community, while at the same time reducing the economic, social and territorial disparities.

European Territorial Cooperation (ETC) in the context of EU cohesion policy is oriented towards strengthening of:

- **Cross-border Cooperation (CBC):** supports cooperation between NUTS III regions from at least two different Member States lying directly on the borders or adjacent to them. It aims to tackle common challenges identified jointly in the border regions and to exploit the untapped growth potential in border areas, while enhancing the cooperation process for the purposes of the overall harmonious development of the Union.
- **Transnational Cooperation (TNC):** allows for cooperation over larger transnational territories or around sea basins.
- **Interregional Cooperation (IR):** works at pan-European level, covering all EU Member States and partner states. It builds networks to develop good practice and facilitate the exchange and transfer of experience by successful regions. It is a tool to strengthen cohesion and overcome present and future challenges.

1.1 ETC 'JOINT' PRINCIPLE

ETC Programmes must be implemented through **joint projects**. All project partners, from participating countries, must work together actively and ensure that cooperation is needed for achieving the outcomes and results of the project. The following **four cooperation criteria** have been established for projects:

| | |
|-----------------------------|--|
| Joint Development | ↔ <i>The project must be designed in close cooperation of the partners from both side of the border.</i> |
| Joint Implementation | ↔ <i>Activities must be carried out and coordinated among partners on both sides of the border.</i> |
| Joint Staffing | ↔ <i>There should be a joint project management; the staff will be responsible for project activities on both sides of the border.</i> |
| Joint Financing | ↔ <i>There is only one contract per project and there must therefore be one joint project budget. The budget should be divided between partners according to the activities carried out.</i> |

Table 1 ETC criteria

1.2 ETC 'LEAD PARTNER' PRINCIPLE

The ETC Programmes are designed to fund activities that require cooperation, be it cross-border, transnational or interregional. The '*Lead Partner Principle*' is an important and characteristic feature of these Programmes, whereby activities of a project are typically carried out by a number of partners of whom one acts as the "*Lead Partner*". The term "*Lead Partner*" (LP) refers to an organisation with which an MA has concluded a grant under a programme. The term "*Project Partner*" (PP) refers to an organisation involved in the implementation of a grant contract but subsidiary to the grant contract's LP; the relationship between an LP and a PP is usually governed by some kind of agreement (often termed a "partnership agreement"). For the purposes of these procedures, the term "LP" also includes any Serbian institution that receives support under a programme's technical assistance.

Since the Lead Partner represents an administrative link between the project and the programme, and as such, bears responsibility for ensuring the project's implementation. The LP shall assume the following responsibilities¹:

- It shall lay down the arrangements for its relations with the other partners participating in the project in an '*Partnership Agreement*' comprising, inter alia, provisions guaranteeing the sound financial management of the funds allocated to the projects, including the arrangements for recovering amounts unduly paid;
- It shall be responsible for ensuring the implementation of the entire project;
- It shall ensure that the expenditure presented by the partners participating in the project has been incurred for the purpose of implementing the project and corresponds to the activities agreed between those partners;
- It shall verify that the expenditure presented by the partners participating in the project has been validated by the controllers;
- It shall be responsible for transferring funds to the partners participating in the project according to the time schedule defined on the Programme level.

However, **the project partners are solely responsible for the correctness of their own actions and related expenditures**. All project partners are controlled independently in their own country by the designated Controller.

1.3 ETC FUNDING

ETC, often termed Interreg, is one of the goals of cohesion policy and provides a framework for the implementation of joint actions and policy exchanges between national, regional and local actors from different Member States. The overarching objective of ETC is to promote a harmonious economic, social and territorial development of the Union as a whole.

In accordance with the new design of the European Cohesion Policy 2021-2027² and the targets set out in Agenda 2030, Interreg has significantly been reshaped to achieve greater impact and an even more effective use of the investments.

¹ In accordance with Interreg Regulation 2021/1059 article 26

² All information regarding the European Cohesion Policy can be found on the webpage https://ec.europa.eu/regional_policy/2021-2027_en

The new cohesion policy introduces a significant reduction in the amount of secondary legislation. This entails notably:

- ✓ lighter and more frequent reporting,
- ✓ lighter controls for programmes,
- ✓ faster delivery by extended possibility to use the SCOs,
- ✓ end of Commission approval for major projects,
- ✓ no more designation of management and control bodies.

2. ETC PROGRAMMES IN SERBIA

The Republic of Serbia participates in a number of **IPA funded ETC programmes**. This Manual covers only those programmes under shared management i.e. 4 cross-border programmes with MS countries Bulgaria, Croatia, Hungary and Romania, 2 transnational programmes IPA ADRION and Danube Region, 2 interregional programmes URBACT IV and Interreg Europe and ESPON 2030³.

In **shared management** contracts are signed and payments are made by bodies with authority over the whole programme area ('joint' bodies) and these are always located in the relevant Member State.

Allocations for Serbian IPA III ETC programmes under shared management 2021-2027:

| Programme | Type | Total € ⁴ | IPA III € ⁵ |
|--|------|----------------------|------------------------|
| Interreg IPA Bulgaria-Serbia (BG-SRB) | CBC | 38,116,397.65 | 16,594,578.00 |
| Interreg IPA Croatia-Serbia (HR-SRB) | CBC | 45,037,238.82 | 19,607,676.00 |
| Interreg IPA Hungary-Serbia (HU-SRB) | CBC | 74,764,705.88 | 32,550,000.00 |
| Interreg IPA Romania-Serbia (RO-SRB) | CBC | 87,725,681.00 | 38,192,765.00 |
| Interreg IPA Adriatic Ionian (IPA ADRION) | TNC | 160,810,017.65 | 70,840,386.00 |
| Interreg Danube Region (DRP) | TNC | 266,379,941.25 | 30,000,000.00 |
| Interreg Europe (IE) | IR | 84,769,000.00 | 5,000,000.00 |
| URBACT IV (UR) | IR | 474,353,337.50 | |

Table 2 Allocations for Serbian ETC programmes in the 2021-2027 period

³ In the Programme ESPON Serbia has the role of the observer. In case of a change, this Manual will be changed accordingly and all information about this Programme will be added.

⁴ Includes national co-financing (15% of the total, except for Danube Region Programme where the co-financing rate is 20%), whether from state budgets or supplied by grant beneficiaries themselves.

⁵ Corresponds to overall IPA III contributions (i.e. not divided by participating countries).

The main actors in the potential candidate and candidate countries that participate in the programmes with Member States under shared management are the National Authority and the Control Body.

2.1 NATIONAL AUTHORITY

National level duties related to the ETC programmes with EU Member States in the Republic of Serbia are performed or ensured by a National Authority (NA).

Among its tasks, the NA is responsible to:

1. Ensure that there is a control system in place to verify that expenditure incurred by Serbian beneficiaries is eligible⁶,
2. Ensure that the participating country is adequately represented in the Group of Auditors (GoA) - body which supports the AA.

Department for ETC Programmes funds within MEI is officially designated as the body responsible for ensuring the role of the NA for ETC programmes under shared management in Serbia.

2.2 CONTROL BODY

The Control Body (CB) is the institution designated by countries participating in ETC programmes to verify that expenditure incurred by beneficiaries is eligible - i.e. the body responsible for performing control duties. In Serbia, the Control Body is ensured by the Ministry of European Integration, and the unit responsible for the provision of verifications procedures is ***Division for control of projects financed under the European territorial cooperation programmes with EU Member States***.

In the context of IPA III, the Serbian Control Body is responsible for verifying expenditure under the following CBC, TNC and IR programmes (which are covered by this manual):

⁶ In accordance with the point (a) of Article 74(1) of Regulation (EU) 2021/1060 and Article 46(3) of Regulation (EU) 2021/1059

| | |
|--|--|
| <p>Interreg IPA Bulgaria-Serbia https://ipa-bgrs.mrrb.bg/en</p> | <p>Interreg  Co-funded by the European Union IPA Bulgaria – Serbia</p> |
| <p>Interreg IPA Croatia-Serbia https://interreg-croatia-serbia.eu/</p> | <p>Interreg  Co-funded by the European Union IPA Croatia – Serbia</p> |
| <p>Interreg IPA Hungary-Serbia https://hungary-serbia.eu/</p> | <p>Interreg  Co-funded by the European Union IPA Hungary - Serbia</p> |
| <p>Interreg IPA Romania-Serbia https://romania-serbia.net/2021-2027/</p> | <p>Interreg  Co-funded by the European Union IPA Romania – Serbia</p> |
| <p>Interreg IPA Adrion https://www.interreg-ipa-adrion.eu/</p> | <p>Interreg  Co-funded by the European Union IPA ADRION</p> |
| <p>Interreg Danube Region https://www.interreg-danube.eu/</p> | <p>Interreg Programme Danube Region  Co-funded by the European Union</p> |
| <p>Interreg Europe https://www.interregeurope.eu/</p> | <p>Interreg Europe  Co-funded by the European Union</p> |
| <p>URBACT IV https://urbact.eu/</p> | <p>URBACT  Co-funded by the European Union Interreg</p> |
| <p>ESPON https://www.espon.eu/</p> | <p>ESPON  Co-funded by the European Union Interreg</p> |

Table 3 Interreg programmes in which Serbian CB performs management verifications

3. SHARED MANAGEMENT SYSTEM

INTERREG IPA III Cross-Border Cooperation, Transnational Cooperation and Interregional cooperation programmes operate on both sides of the border on the basis of **one set of rules**, thus providing the opportunity for fully equal and balanced programming and decision-making structures between Member States and (potential) Candidate Countries. Therefore, ETC programmes are meant to promote enhanced cooperation and progressive economic integration and coherence between the European Union and the (potential) Candidate Countries.

According to one of the key principles of the ETC objectives, Programmes are prepared and implemented by the partners on both sides of the border using **a single set of managing structures**:

| | |
|---|---|
| <p>Monitoring Committee [MC] CPR, Article 40</p> | <ul style="list-style-type: none"> ↪ Oversees the progress in programme implementation and in achieving the milestones and targets; ↪ Approves the methodology and criteria used for the selection of operations; ↪ Approves annual performance reports, the evaluation plan and any amendment thereto, amendments to programme; ↪ Provides recommendations to the managing authority, including on measures to reduce the administrative burden for beneficiaries. <p><i>In the Monitoring Committee representatives of the national, regional and local level of all countries involved should participate.</i></p> |
| <p>Managing Authority [MA] CPR, Articles 72-75</p> | <ul style="list-style-type: none"> ↪ Manages the programme with a view to delivering the objectives of the programme; ↪ Carries out financial management/supervises intermediate bodies; ↪ Establishes and applies criteria and procedures election of projects; ↪ Ensures compliance with applicable law, the programme and the conditions for support of the project; ↪ Provides support to the Monitoring Committee. <p><i>In the case of ETC programmes, the MA is located in the Member State.</i></p> |

| | |
|---|--|
| <p>Body performing accounting function CPR, Article 76</p> | <ul style="list-style-type: none"> ↪ Draws up and submits payment applications to the Commission ↪ Draws up and submits the accounts confirming completeness, accuracy and veracity of the accounts ↪ Records of all the elements of the accounts, including payment applications; ↪ Converts the amounts of expenditure incurred in another currency into euro. <p><i>In the case of ETC programmes, the body performing accounting function is located in the Member State.</i></p> |
| <p>Audit Authority [AA] CPR, Article 77</p> | <ul style="list-style-type: none"> ↪ Ensures performance of system audits, audits on operations and audits of accounts in order to provide independent assurance to the Commission regarding the effective functioning of the management and control systems and the legality and regularity of the expenditure included in the accounts submitted to the Commission; ↪ Issues annual audit opinion and annual control report. <p><i>In the case of ETC programmes, the AA is located in the Member State, supported by a Group of Auditors comprising one representative of each participating country.</i></p> |
| <p>Joint Secretariat [JS] CPR, Article 46</p> | <ul style="list-style-type: none"> ↪ Assists the Managing Authority and the Monitoring Committee carrying out their respective functions; ↪ Provides information to potential beneficiaries about funding opportunities under Interreg programmes and assists beneficiaries and partners in the implementation of projects. <p><i>The JS should have employees from both sides of the border thus providing different language skills, and specific background knowledge.</i></p> <p><i>The main JS office is usually located close to MAs but has antenna/ branch offices in Serbia.</i></p> |


Table 4 ETC management structures

Programme structures can involve extra bodies including national or regional contact points for each country participating in the programme.

4. CONTROL BODY

4.1 INTRODUCTION

The main objective of the Control Body (CB) is to perform management verifications of the costs charged under ETC Programmes and to confirm that payments claimed by the Project Partners are in accordance with the legal and financial clauses of the subsidy contract as well as within the rules governing the Interreg IPA programmes, the European Community regulations and the respective national legislation.

| | |
|---|---|
|  | <p>Management verification performed by the CB is the first step in the process of certifying projects' expenditures, and it is performed <u>before</u> the EC reimbursement takes place.</p> <p>It is the main and most extensive control level.</p> |
|---|---|

Checks need to be sufficient to confirm all aspects of the **eligibility, regularity** and **legality** of the expenditure in question. Therefore, they **should cover all points of correctness and compliance** on management verifications including eligibility, compliance with public procurement rules and reference to the project's expenditure as in the latest version of the Application Form.

4.2 SET UP AND ROLE OF THE CONTROL BODY IN SERBIA

The control system set up for the purpose of validating expenditures of Serbian PPs is a **centralized one** (i.e control on national level by a public administrative body), located in the MEI. The MEI will be appointed to fulfil the responsibilities of the control body responsible for ETC Programmes by the Government conclusion.

In line with the **Rulebook on Internal Organisation and Job Classification** in the Ministry of European Integration, **the Division for control of projects financed under the European territorial cooperation programmes with EU Member States** is responsible for ensuring the functions of the Control Body for all ETC Programmes under shared management.

Division for control of projects financed under the European territorial cooperation programmes with EU Member States, as a Control Body for ETC programmes within shared management system will:

- perform the activities of control (desk-based and on-the-spot verifications) and issue certificates based on reports and supporting documentation submitted by project partners from Serbia;
- verify the regularity of project activities and eligibility of costs with regard to the approved project respecting the programme rules regarding the implementation of public procurement, project visibility rules and horizontal principles in accordance with national and EU regulations and standards;
- develop and improve relevant national procedures and programme documents;

- report suspicion of irregularity in line with the procedures defined in the Chapter F of this Manual;
- cooperate with relevant public administration authorities and other bodies at the level of individual programmes;
- provide trainings to beneficiaries from Serbia related to the rules on reporting and eligibility of costs;
- prepare reports;
- perform activities in accordance with internal procedures and other activities within the purview of the Division.

The Division for control of projects financed under the European territorial cooperation programmes with EU Member States includes the following groups:

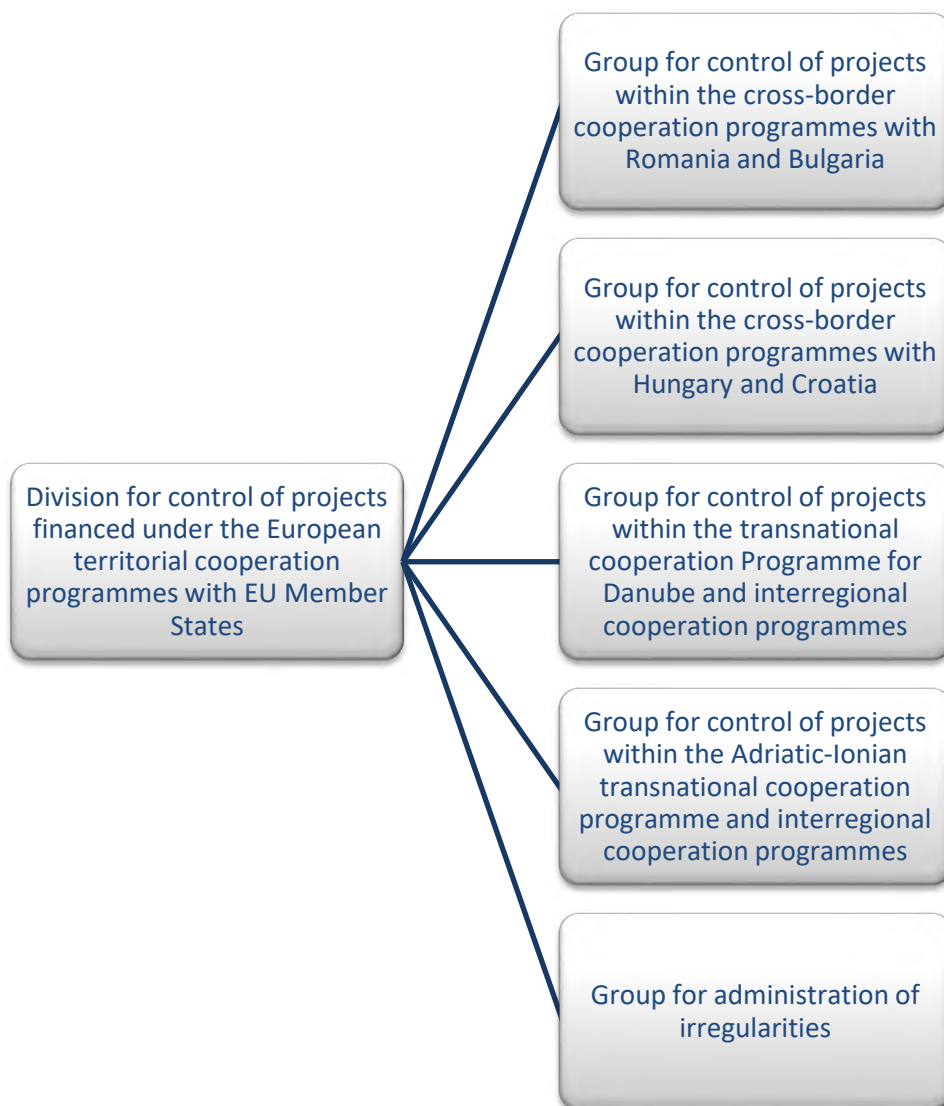


Figure 1 Organigram of the Control Body in Serbia

5. Human Resources

Controllers are in part civil servants financed from the state budget, and partly engaged through technical assistance funds on the programme level. Human resources, regardless of their contractual status (both civil servants and contracted staff, i.e. controllers engaged through technical assistance) are managed in line with the overall Serbian legal framework in close cooperation with HR Unit within the Ministry of European Integration, Human Resources Management Service (SUK) and National Academy for Public Administration (hereinafter NAPA).

To ensure that staff have no doubt as to the extent of their responsibility, authority, assigned tasks, knowledge and skills required and relationship with others, job descriptions are the main relevant tool. These include requirements for qualifications and skills and are defined in the Rulebook on Internal Organisation and Job Classification in the Ministry of European Integration (The Systematisation Act). In accordance with the national requirements, when necessary, each state administration body must regularly update in its Systematisation Act the description of its respective units / sub-units and related individual positions.

The Law on Civil Servants introduces competencies of civil servants, which are necessary for the effective performance of tasks. Competencies are a set of knowledge, skills, attitudes, and abilities that a civil servant possesses, which shape his/her behaviour and lead to the achievement of the workplace performance expectations. Competencies for each job position are presented in detail in relevant Systematisation Act. Training and development of staff is regulated by national rules and legislation related to the professional development of civil servants. The training needs assessment (TNA) is an annual process initiated by the HR unit, related to professional development of civil servants regarding submission of proposals for general professional training programme. The purpose of the TNA is to ensure that the training needs of staff are identified against job requirements including skills and competencies. The results of the TNA serve for identifying training actions (existing training programmes and/or training programmes to be developed) to address the identified needs. The implementation of the training programmes shall further lead to the development of capacities of staff in accordance with the requirements defined within the job descriptions and Systematisation Act for the corresponding positions.

The Training register (Annex 1) should be kept enabling storage of data on training sessions, training participants, trainers, training material, and thus serve as monitoring tool for the training programmes implementation (supervision of the system and audit trail). The head of the division responsible for controllers shall ensure that staff is properly instructed on the policies and procedures immediately upon being formally assigned to their position. Induction trainings shall be aimed at development of theoretical and practical skills, including basic trainings for taking the state exam, basic trainings for IPA and trainings on irregularity in IPA context. Each employee will receive to sign Statement of awareness (Annex 2).

The HR unit of the MEI helps to ensure that all staff are clear about the requirements of their role and have an overall understanding of the organisation. In accordance with the Law on Civil Servants, each employee will receive to sign the set of documents (with respect to code of conduct, impartiality and confidentiality, conflict of interest, prevention of mobbing, whistle-blowers protection etc.).

The Substitution Plan (Annex 3) is designed to secure an uninterrupted performance of the control activities while still respecting segregation of duties requirements. It is documented in a grid depicting the rules of substitution, i.e. who replaces whom in case of absence from work. The plan shall be reviewed at least once a year and updated within one month after a change occurs.

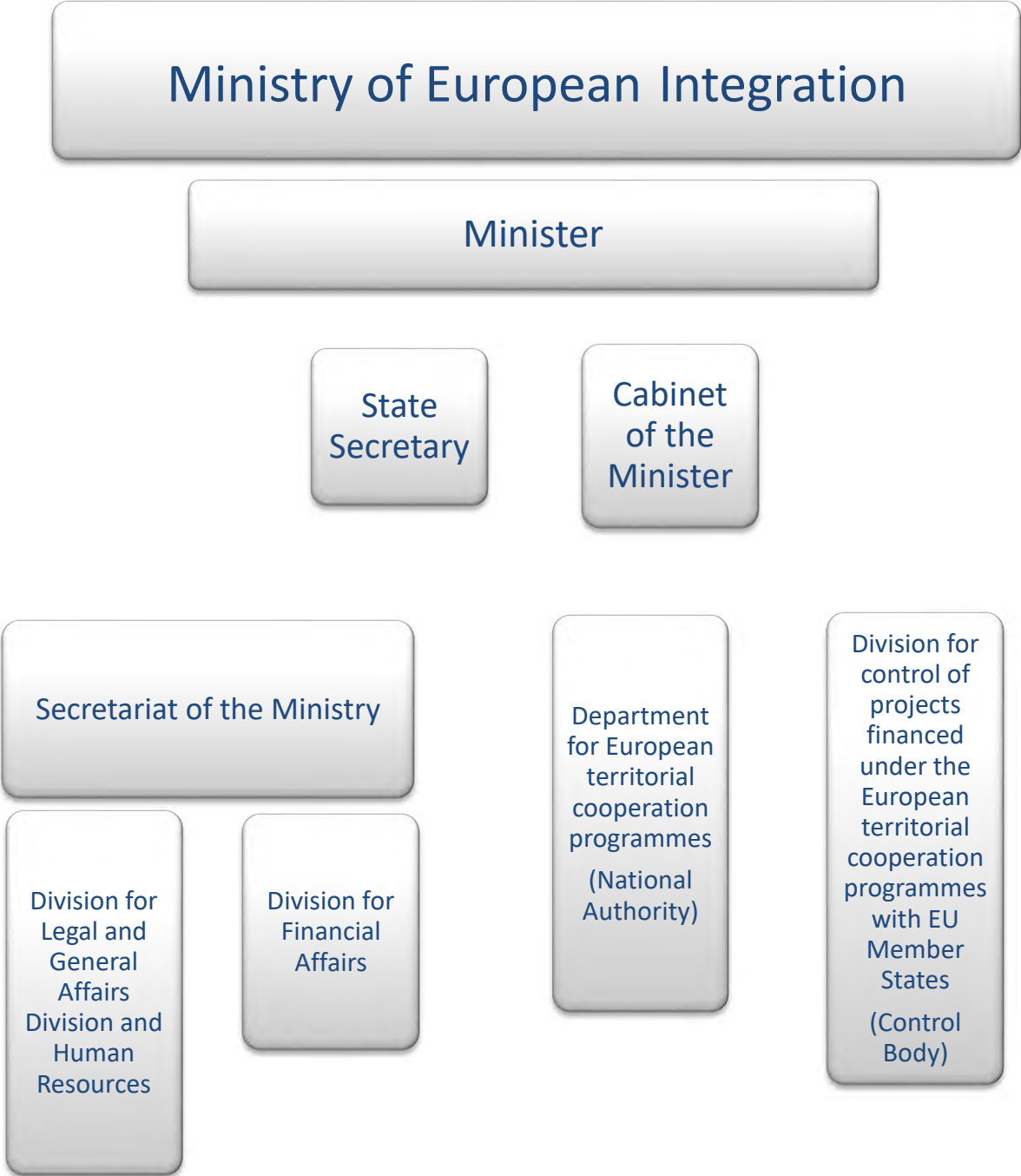


Figure 2 Organizational scheme of MEI's units responsible for ETC programmes

6. LIST OF PROGRAMMES AND DEADLINES

To provide a simple yet comprehensive overview and facilitate organization of tasks and monitoring of deadlines a list of all programmes under shared management, with information on project/partner reporting periods, deadlines for submission of partner reports, electronic monitoring systems and deadlines for Control Body verifications, is presented in this section.

Administrative control/desk-based verifications of supporting documentation (e.g. invoices, proof of payments, contracts, etc.) of partner reports is carried out in programme's electronic monitoring system. Most electronic systems support the option of partners delivering audit trail through the system, while some electronic systems do not support such an option and in these cases, accompanying reporting documentation is sent via e-mail and/or downloadable links (URBACT IV programme).

| Programmes 2021-2027 | Reporting periods⁷ | Deadlines for partner reports⁸ | Verification deadline⁹ | Electronic monitoring system | Audit trail |
|-------------------------------------|--------------------------------------|--|--|-------------------------------------|---------------------------|
| Interreg IPA Bulgaria-Serbia | 6 months / *3 months | 10 working days | 45 calendar days | JEMS | In monitoring system |
| Interreg IPA Croatia-Serbia | 6 months | 15 calendar days | 80 calendar days | JEMS | In monitoring system |
| Interreg IPA Hungary-Serbia | 4 months | 15 calendar days | 45 calendar days | INTERREG+ | In monitoring system |
| Interreg IPA Romania-Serbia | 3 months | 15 calendar days | 60 calendar days | JEMS | In monitoring system |
| Interreg IPA Adrion | 6 months | 10 working days | 3 months ¹⁰ | JEMS | In monitoring system |
| Interreg Danube Region | 6 months | 15 calendar days | 60 calendar days | JEMS | In monitoring system |
| Interreg Europe | 6 months | 10 working days | 3 months | Portal | In monitoring system |
| URBACT IV | Annual basis | Not defined on Programme level | 3 months | Synergie CTE 21–27 | Outside monitoring system |

Table 5 Programmes, deadlines and monitoring systems

⁷ Project/partner reporting schedule is usually defined in the Subsidy Contract.

⁸ Deadlines from the end of each reporting period.

⁹ Verification deadline is calculated from the first submission of the Partner Progress Report.

¹⁰ In accordance with Article 5.4 of the Subsidy Contract verification period is 3 months after the end of reporting period.

7. CONTROL BODY PROCEDURES

Controllers work in a 'system' put in place by the Interreg IPA CBC and TNC/IR partner countries. However, the principal users of these national systems are the programme authorities, mainly the MA and the Body carrying out the accounting function. According to the EC Regulations, the MA should check whether all payment requests from all partners have been properly checked. LPs are required to support this process by checking the existence of adequate controls at the level of PPs. The AA then, through audits of operations, reviews the work of the controllers on a sample basis, and should have unlimited access to their reports and working papers. Finally, the controllers should be involved in the system put in place by each partnering country for the communication of irregularities.

Only a controller can confirm that all eligibility and compliance queries have been satisfactorily answered for a single payment claim.

7.1 OVERVIEW OF THE REPORTING PROCESS AND ROLE OF THE CONTROLLERS

The procedure for Control in the ETC Programmes follows the "Lead Partner" principle, which means that the control of a project should be performed at national level for each project partner by the responsible Controller of the concerned partnering country. The Lead Partner shall collect the **Control Certificates** from all project partners, which will be the basis for the **Application for Reimbursement** submitted by the Lead Partner.

Partner reports are submitted in line with the project reporting procedures set up for each ETC Programme. Commonly, projects' activity reporting is used by the programmes for monitoring the project's implementation. Usually, Partner reports are submitted to programme management **on a 6-monthly or quarterly basis (or 4-monthly basis in case of HU-SRB, or on an annual basis in case of URBACT IV)**. Financial report requirements vary but generally each partner provides information on the amount spent since the last report split according to the same budget lines as the ones in the application including any budget modification.

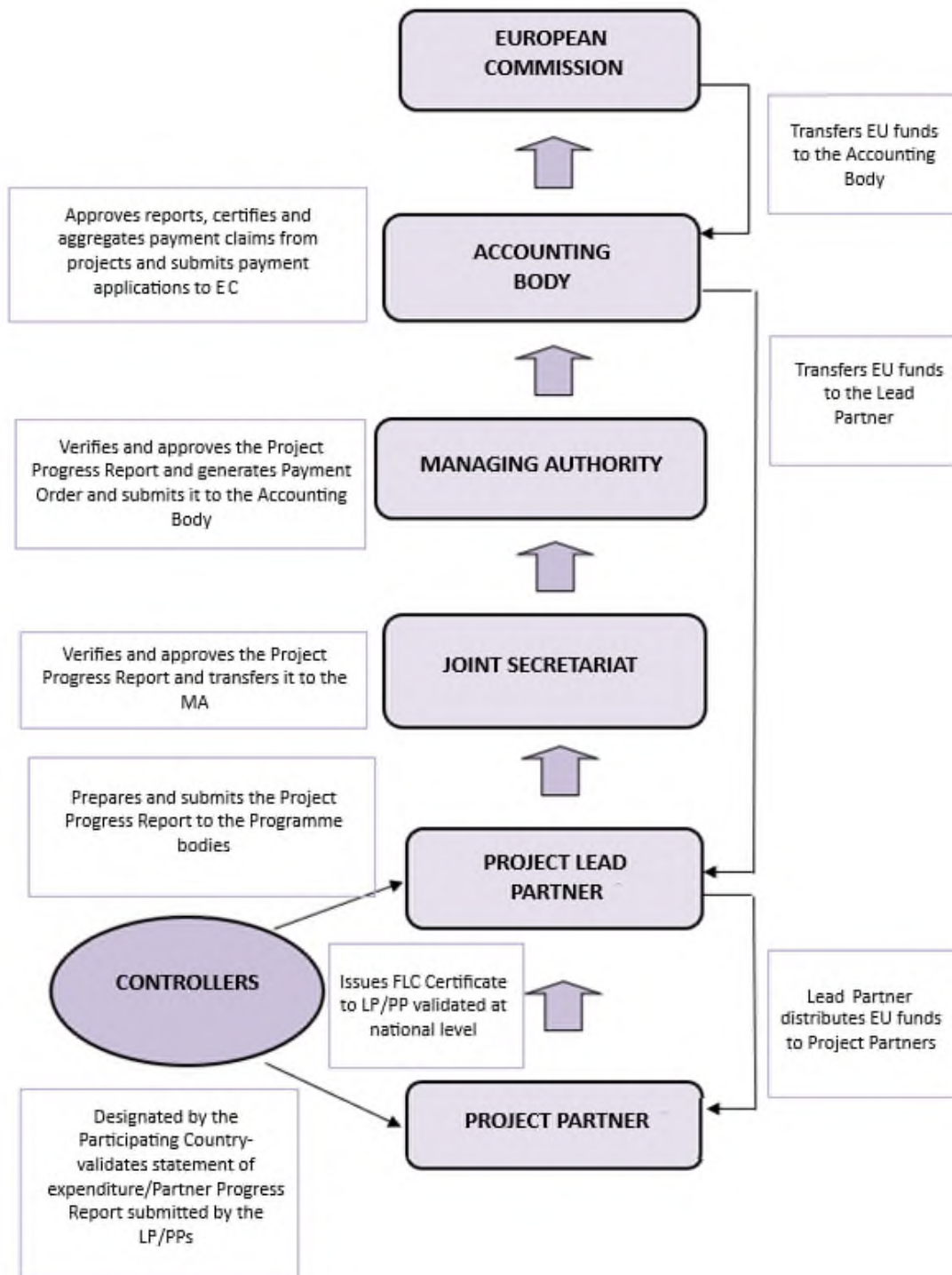


Figure 3 Graphic representation of reporting and payment process

The following sequential steps detail the **reporting and payment process and the role of the Controllers**:

- Each Project Partner as well as the Lead Partner must submit its expenditure relevant for a reporting period for validation to the designated Controller in its country of operation. Each project partner – including the Lead Partner – is responsible separately for having its expenditure validated by the designated Controller.
- The Controller verifies the expenditure submitted by the PP (in this case the LP is also considered as PP) 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 Community rules and relevant national rules.
- After verification, the Controller issues the Control Certificate.¹¹
- Each PP has to submit the Control certificate to the LP.
- The LP is responsible to verify that the expenditure of its PPs is validated by the designated Controllers for the Interreg IPA CBC and TNC/IR Programme.
- The LP has to submit an Application for Reimbursement ('payment claim') to the JS supported by the Control Certificate of its PPs. Following JS approval of the report, the report is forwarded to the MA.
- MA checks and verifies Project Progress Report. In case of additional comments, the LP may be asked to provide clarifications. Following the approval of the report, the MA issues Payment Order and forwards it to the AB. Project Progress Report can be approved by the MA only after Control certificates are issued for all partners (Partner Progress Reports).
- After the Payment Order is received from the MA, the AB transfers the requested eligible amount to the LP.
- The LP is responsible for transferring the funds to the PPs, in line with the Subsidy Contract and Partnership Agreement.

7.1.1 INTERNAL WORKFLOW OF THE CONTROL BODY PROCEDURES

The work of the controller involves a continuous process starting with the receipt of a partner report, designation of controller, check and verification of expenditure (desk-based and on-the-spot) and resulting in the issuing of Control Certificate (or its correction), while constantly monitoring for irregularities.

¹¹ It is to be noted that the conclusions of Control Certificates may be disputed by LPs or PPs. When formal complaints (or appeals) against expenditure declared ineligible by the Control Body are received by MAs (it is assumed that such appeals will be submitted by LPs to MAs), they have to be considered at national level (since decisions of the Control Body are also taken at the national level). In Serbia, the NA is responsible for handling such appeals - for details, see the document "National Authority Procedures for Treating Appeals against Serbian Control Body Decisions on Ineligible Expenditure under Serbian Interreg IPA CBC, TNC and IN Programmes under Shared Management".

For the sake of clarity and easier implementation, the procedures are differentiated as follows:

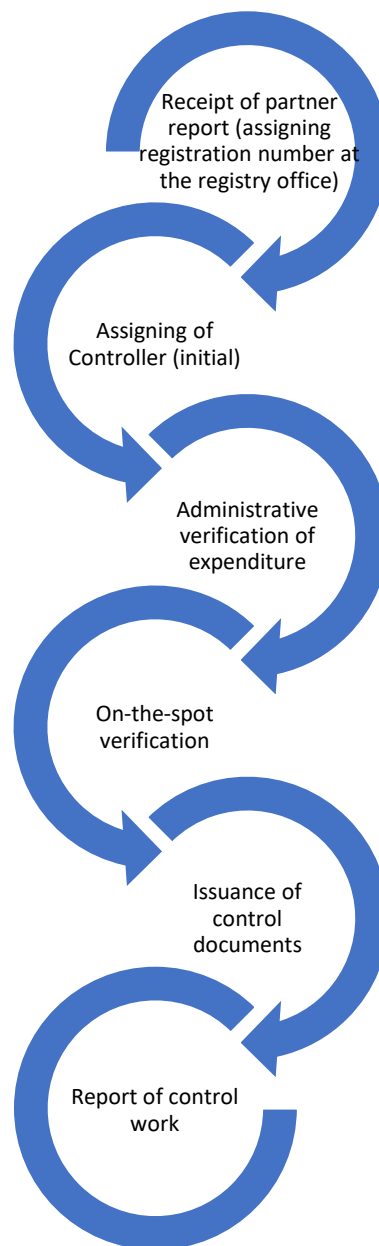


Figure 4 Control procedures

In case the project partners file the complaint to controller's work, or if irregularities are detected, controllers might be in position to re-evaluate the report and to issue new Control Certificate.

The following documents have to be observed and/or controlled by the Controllers concerning the verification of expenditure of each PP:

- Application Form;
- Signed Subsidy Contract (and its amendments);

- Signed partnership agreement (and its amendments);
- Partner Report;
- Invoice and accounting document of probative value;
- Supporting documents submitted together with the Partner Reports (e.g. payslips, bank statements, public procurement documents, contracts between Project Partner and subcontractors, etc.);
- Project deliverables submitted together with the Partner Reports;
- Documentation of requests for missing documents, completion of the Partner Reports;
- Documentation of on-the-spot verifications (minutes/reports, checklists, etc.)
- Internal memoranda, e-mails, letters.

7.2 MANAGEMENT VERIFICATIONS DELEGATED TO CONTROLLERS

the third country, partner country or the Overseas Countries and Territories, participating in the Interreg programme, may decide that management verifications referred to in point (a) of Article 74(1) of Regulation (EU) 2021/1060 are to be done through the identification by each Member State of a body or person responsible for this verification on its territory (the ‘controller’).

Controllers verify that co-financed products and services have been delivered, in compliance with EU, Programme, National and SC conditions. When partner reports real costs, controllers have to verify that they have been incurred and paid and that a partner keeps appropriate accounting codes for all reported costs. If costs are reimbursed as SCOs, controller has to verify that the conditions for reimbursement have been met.

7.2.1 MANAGEMENT VERIFICATIONS IN GENERAL

In formal terms, the control of project expenditure should verify:

- **Delivery** of the products and services co-financed;
- **Reality** of the expenditure claimed;
- **Eligibility** of the expenditure;
- **Compliance** with the EU, programmes and national rules;
- Compliance with other national and Community rules including those on **public procurement, publicity and information, protection of the environment and equal opportunities**.

According to Interact’s HIT Control Package for 2021-2027 a controller verifies:

- a. expenditure is in line with European, programme and national eligibility rules, and complies with conditions for support of the project and payment, as outlined in the subsidy contract;
- b. expenditure was actually paid except for costs related to depreciation and simplified cost options;

- c. expenditure was incurred and paid (with the exceptions above under "b") within the eligible time period of the project and was not previously reported;
- d. expenditure based on simplified cost options (if any) is correctly calculated and the calculation method is correctly applied;
- e. expenditure reimbursed based on eligible costs actually incurred is either recorded accurately in a separate accounting system or has an adequate accounting code allocated. The necessary audit trail exists, and everything was available for inspection;
- f. relevant EU/ national/ institutional and programme procurement rules were observed;
- g. EU and programme publicity/visibility rules were followed;
- h. co-financed products, services and works were actually delivered;
- i. expenditure is related to activities in line with the Application form and the Subsidy contract;
- j. expenditure is foreseen in the project budget.

According to HIT, controller also verifies there is no evidence of:

- infringements of rules concerning horizontal principles of sustainable development, gender equality and non-discrimination.
- double-financing of expenditure through other financial source(s).

In addition the controller has to:

- Check the correctness of the partner report;
- Verify the reality of the project, including physical progress of the goods/ services/ works purchased and compliance with the terms and the conditions of the contracts and with the output and result indicators – according to relevant procedures in force;
- Verify adequacy of supporting documents and of the existence of an adequate audit trail - the correctness of the invoiced goods, services and works regarding the eligibility and the evidence of the real spending of funds (the invoices contain eligible expenditure included in the contract which correspond to the objectives of the contract);
- Notify on suspicion of irregularities – if the case;
- Perform checks regarding the absence of conflict of interests of the persons involved in the procurement procedures;
- Apply financial corrections concerning the breach of public procurement in accordance with the applicable law;
- Verify that amounts in the Partner Report do not exceed amounts in the latest approved version of the Application Form or are in line with notified modification of the project/partner activities/budget;
- Perform on-the-spot verifications of projects as defined at the Programme level;
- Issue Control Certificate and other documents according to control procedures in force.

7.2.2 RISK-BASED MANAGEMENT VERIFICATIONS

The process of verification carried out by the Controllers, in line with Article 74(2) of the CPR, at national level includes:

1. **Administrative (desk-based) verification** and
2. **On-the-spot verifications**

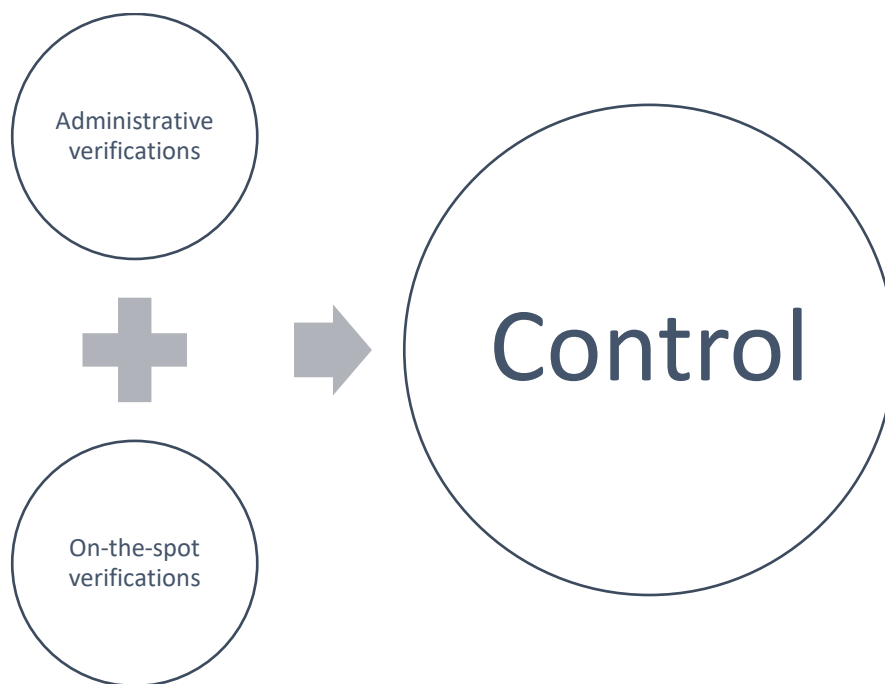


Figure 5 Management verification types

Management verifications delegated to the Controller, **both administrative and on-the-spot**, shall **be risk-based**¹² and proportionate to the risks identified ex ante and in writing.

As elaborated in Commission’s Reflection Paper on Risk based management verifications¹³:
“MAs are responsible for the development, organisation, and delivery of training on risk assessment and verification techniques.

In Interreg controllers (or the MS) may prepare the initial risk assessments, but in this case it is recommended that the risk assessments are reviewed by MA in order to ensure equal treatment and considering the cooperation goal of these programmes. Any difference in approach between MS should be duly justified.”

Additionally, as explained in Interact’s Guidance on the risk-based management verifications¹⁴
“Both administrative and on-the-spot management verifications should focus on risky elements. In practice, this means that not all projects, beneficiaries, payment claims and items within the payment claims must be checked 100%. The risk assessment methodology, along

¹² Except in case of RO-SRB Programme where on-the-spot verifications are done for all project partners.

¹³ Risk based management verifications, Article 74(2) CPR 2021-2027, Reflection Paper, CPRE_23-0005-01, 24/05/2023

¹⁴ Guidance on the risk-based management verifications for 2021-2027 and HIT methodology, July 2023, Version 3

with procedures for the risk-based management verifications, should be part of an Interreg programme's management and control system description.”

Having in mind the COMM Reflection Paper and specificities of Interreg, Interact’s Guidance recognizes more “approaches to developing the methodology for the risk-based management verifications in Interreg programmes:

- The Managing Authority develops a single methodology for risk-based management verifications, which is applied to the whole programme.
- The MS/ controllers can perform their own risk assessments; however, the MA will still need to approve at the programme level such different approaches to ensure equal treatment of beneficiaries.
- The Managing Authority can also develop minimum requirements guides for risk-based management verifications, to be used for the controllers in each Member State.

| Programmes 2021-2027 | Body responsible for development of RBMV (Managing Authority / Control Body) |
|-------------------------------------|---|
| Interreg IPA Bulgaria-Serbia | MA |
| Interreg IPA Croatia-Serbia | MA |
| Interreg IPA Hungary-Serbia | MA |
| Interreg IPA Romania-Serbia | MA |
| Interreg IPA Adrion | MA |
| Interreg Danube Region | MA |
| Interreg Europe | MA |
| URBACT IV | MA |

Table 6 Body responsible for RBMV development

Depending on the programme’s methodology for risk-based management verifications **controllers will perform** general checks, as described above, and **administrative and on-the-spot verifications** as described below, **only for expenditure items where**, according to the risk assessment, **the risk of material misstatement is high.**

Controllers need to consult individual programme level documents regulating risk-based management verification methodology.

7.2.3 TYPES OF MANAGEMENT VERIFICATIONS

Management verifications delegated to the Controller, as already stated, can be differentiated to administrative and on-the-spot verifications.

7.2.3.1 ADMINISTRATIVE (DESK-BASED) VERIFICATION

All partner reports submitted by the PPs and the LP are subject to a desk-based verification. Depending upon the documentation supplied, the desk-based verifications should check:

- expenditures declared by the beneficiary are real and incurred for the project approved;
- expenditures declared by the beneficiary are supported by the necessary accounting documents;
- expenditures declared by the beneficiary have been paid;
- the products or services have been delivered in accordance with the contract, European and national legislation (if applicable);
- supporting documents presented by the beneficiary are complete, accurate and acceptable as to their form and content;
- expenditure declared by the beneficiary is eligible according to the common eligibility rules of the Programme as well as according to the relevant EU and national legislation;
- the part of the project implemented and expenditure declared by the beneficiary comply with the contract;
- the part of the project implemented and expenditure declared by the beneficiary are in line with Community rules, including public procurement rules, state aid rules, environment protection rules, equal opportunity requirements, publicity, etc.;
- the part of the project implemented by the beneficiary receives financial contribution only under the respective Programme, i.e. double-financing of expenditure with other Community or national schemes and with other programming periods is avoided;
- the beneficiary maintains either a separate accounting system or an adequate accounting code for all transactions relating to the project;
- the beneficiary fulfilled the EU requirements concerning information, publicity and visibility;
- eventual revenues have been deducted from the total eligible expenditure of the project part implemented by the beneficiary or the beneficiary declares that no revenues have been generated;
- the VAT reported (where applicable) is eligible, in line with the subsidy contract, the VAT status of the beneficiary and the respective national VAT legislation;
- adequate audit trail is maintained by the beneficiary;
- expenditure declared by the beneficiary is not affected by irregularity or any suspected irregularity or fraud.

Desk-based verification is **not** considered sufficient without the elaboration of the supportive documentation. Documents are provided by the LP/PPs by submitting the necessary documents together with the list of expenditures to the controller. If project partner has filled the reporting materials inadequately, documentation is missing or instructions have not been followed by PP (e.g. timesheets have not been signed), controller should ask project partners

to correct the mistakes or clarify unclear issues. In general, all communication between the controllers and project partners should be performed in a clear, written, explanatory manner, with clear instructions and references, in order to enhance the implementation process but also to maintain transparency and audit trail.

During the provision of administrative verifications, the following steps are defined:

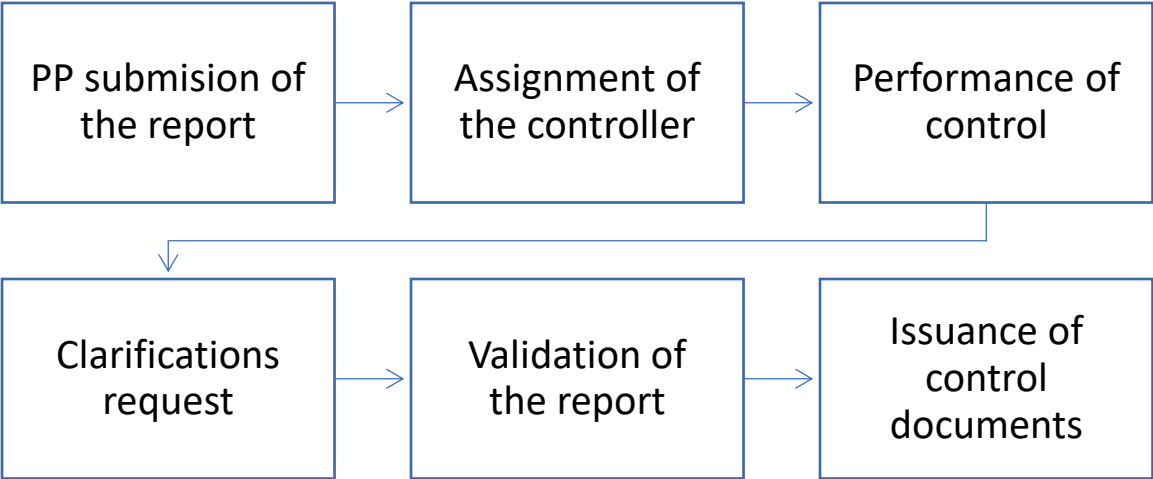


Figure 6 Flow-chart of administrative (desk-based) verifications

If certain clarifications from the project partner are needed, controller can require up to 2 requests for additional clarification. Deadlines regarding clarifications are set on the Programme level.

Audit trail related to the administrative verifications consists of:

| Receipt of reports | Administrative verifications | Validations |
|---|--|---|
| <ul style="list-style-type: none"> • Memo • e-mails • PP reports | <ul style="list-style-type: none"> • Clarification requests | <ul style="list-style-type: none"> • Control certificates • Control reports • Control checklists |

Figure 7 Audit trail related to the administrative verifications

7.2.3.1.1 FOUR EYES PRINCIPLE

According to specific programme requirements of the RO-SRB Programme, the verification of the reports submitted by PPs is done by respecting the “four eyes” principle which is done by filling in the checklist by the two controllers through the JEMS.

7.2.3.1.2 QUALITY CONTROL

Quality control is carried out in the following cases:

1. In line with programme rules, for those programmes where quality control is mandatory.
2. In the event of a decision by the Head of the Control Body, or request from other programme bodies (AA, MA, JS, etc.), for any of the ETC programmes.

If there is no proscribed sampling methodology for quality control at programme level, the following methodology of determining the population and sample for quality control is used.

The population consists of two sub-populations:

1. Project partners that have been identified as potentially risky (i.e. partners selected for on-the-spot verification visits through risk analysis).
2. All other project partners.

The population includes all reports of Serbian project partners within one reporting period and the sample is selected randomly. If a specific ETC programme has not defined the percentage or number of reports subjected to quality control, the size of a sample is at least one(1) project¹⁵, per year, must be reviewed- but the sample size may increase if any additional deficiencies are identified.

7.2.3.2 ON-THE-SPOT VERIFICATIONS

On-the-spot verifications of individual project partners are carried out by the controllers at the premises of the controlled PP and/or in any other place where the project is being implemented (e.g. infrastructure, provision of services, etc.).

In exceptional cases (such as natural hazard, social and medical crisis or any other unforeseen circumstances) or in case of projects without physical investments, and **if allowed by the ETC programme**, the **on-the-spot verification** may be **online/virtual** (by using e-mails, ZOOM/Teams platform etc.). Each case should be analysed individually and taking in consideration all the factors as well the circumstances related to the single project partner, project, etc. The online on-the-spot verifications must be implemented with the comparable assurance tools to physical on-the-spot verifications. However, on-the-spot verifications will be carried out online only if there is no risk and an assurance that they can be fully performed and documented. The procedure of performing online on-the-spot verifications is also applicable to use in case of the force majeure (e.g. Covid-19 situation etc.) when it is not possible to perform the on-the-spot verifications in physical way due to any relevant restrictions.

¹⁵ Or applicable according to the Programme specific rules.

On-the-spot verifications, in accordance with Article 74 of the CPR, **are performed based on a sample**, and should be performed before the final Control Certificate is issued.

Only for the programme RO-SRB on-the-spot verifications will be performed whenever in the reporting period works or supplies have been reported but at least once during project's lifetime.

On-the-spot verifications should be carried out when the project is well under implementation (i.e., not at the very early stages, but rather after 2-3 progress reports).

The decision if a partner should undergo an on-the-spot verification is based on a risk assessment methodology usually established at programme level.

If no provisions for a risk assessment methodology is in place at programme level, controllers will apply the following risk assessment:

The decision if a partner should undergo an on-the-spot verification is based on a risk assessment that considers 3 criteria: the presence of equipment with a designated value and special programme requirements, the presence of infrastructure/works regardless of their value and the controller's assessment based on their professional judgement. If one or more of the above criteria are met, the PP will be subjected to an on-the-spot verification (OTSV) before the verification of the final Partner Progress Report.

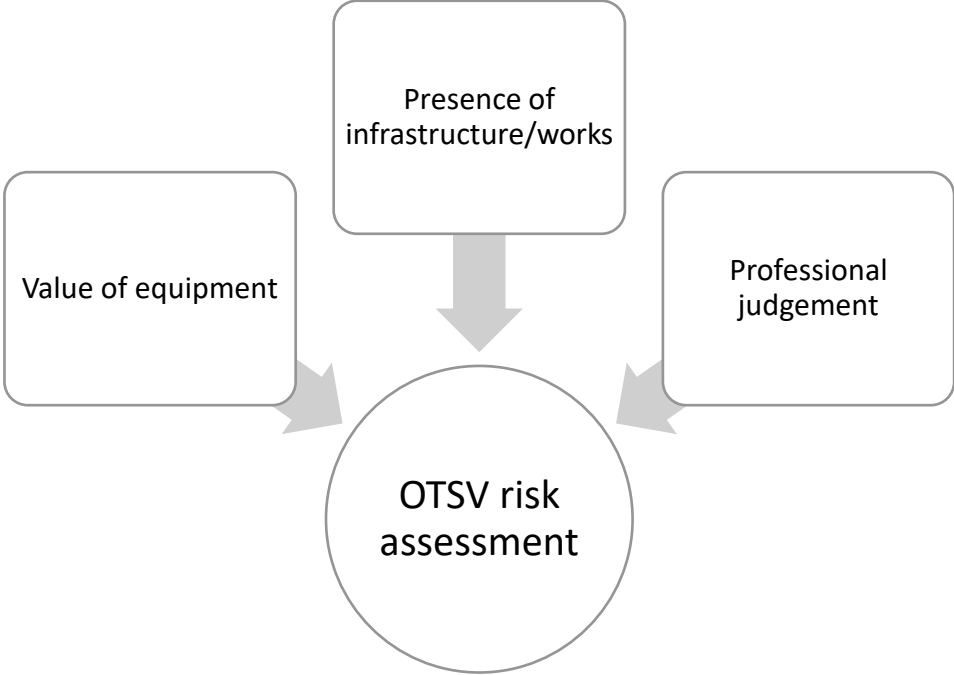


Figure 8 OTSV risk assessment

Specifically, on-the-spot verification of equipment is performed by controllers for all equipment items with a purchase cost equal to or above EUR 10.000 (VAT excluded). Therefore, the unit value of a piece of equipment equal to or above EUR 10.000 (VAT excluded) is the trigger for inclusion of a partner in the on-the-spot verification sample (next to the already mentioned other criteria) and only equipment meeting this cost threshold will be checked during OTSV.

If the partner has reported any expenditure under Costs of infrastructure and works, this will also constitute a trigger for inclusion of a partner in the on-the-spot verification. All reported infrastructure and works must be inspected during OTSV (regardless of unit value).

Controller’s professional judgement i.e. the reason/s for the OTSV must be noted in the Control checklist under OTSV section.

OTSV plan (Annex 4) of this document lists all on-the-spot verifications that need to be conducted by the controllers for all ETC programmes.

| ETC Programme | OTSV risk assessment methodology |
|------------------------------|--|
| Interreg IPA Bulgaria-Serbia | Annex 5 of this Manual |
| Interreg IPA Croatia-Serbia | Annex 5 of this Manual |
| Interreg IPA Hungary-Serbia | Annex 5 of this Manual |
| Interreg IPA Romania-Serbia | On-the-spot verifications will be performed whenever in the reporting period works or supplies have been reported but at least once during project’s lifetime. |
| Interreg IPA ADRION | Annex 5 of this Manual |
| Interreg Danube Region | Annex 5 of this Manual |
| Interreg Europe | Annex 5 of this Manual |
| URBACT IV | Annex 5 of this Manual |

Table 7 OTSV risk assessment methodology

This type of checks means that the controller will actually **visit the project** and verify that certain activities, purchases of services and products as well as investments have actually taken place in accordance with the approved application during the implementation, and that the related regulations have been respected.

In general, following aspects are to be included in the on-the-spot verifications:

- A. The **reality** of the operation
- B. **Progress** of the activities
- C. **Delivery** of products, services and works in full compliance with the approved application as well as **compliance** with EU and national rules on visibility, public procurement, and all relevant horizontal issues
- D. **Accuracy of all information** provided by the beneficiary regarding physical and financial implementation of the operation
- E. **Accounting verification**, i.e. check that the expenditures made by the beneficiaries are registered in the accounting system, a separate account or all the expenditure have a specific code and can be identified in the accounting system, in accordance with Article 74(1) of the CPR.

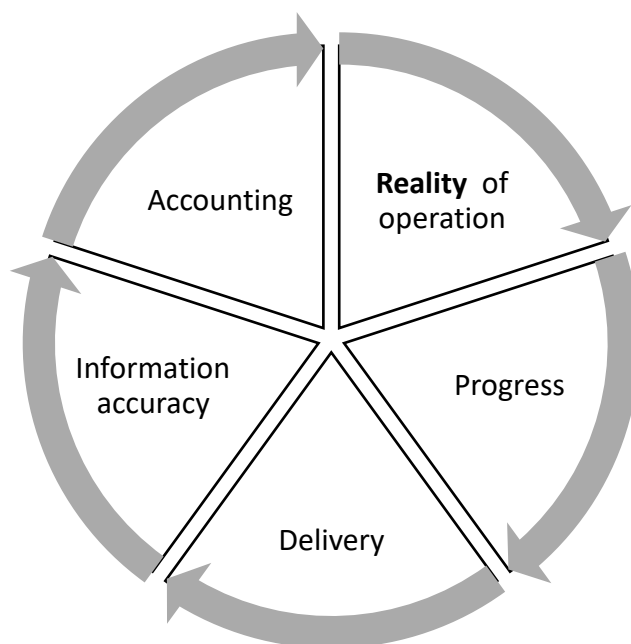


Figure 9 Aspects of the on-the-spot verifications

On-the-spot verifications should be **planned in advance** to ensure that they are effective. Generally, notification of the on-the-spot verifications should be given in order to ensure that the relevant staff (e.g. project manager, engineer, accounting staff) and documentation (in particular, financial records including bank statements and invoices) are made available by the beneficiary during the verification.

7.2.3.2.1 ON-THE-SPOT SPECIFICS FOR EQUIPMENT

Purpose of the on-the-spot checks of equipment is to verify whether:

- Equipment declared within the project has been **purchased in reality**, and **exists and is in operation at the place** traceable from the Application Form;
- Equipment is in **line with** the description given in the approved **Application Form/Technical Specifications** and in **correlation with the invoices and the final acceptance certificate**;
- Equipment is used only **for the project purposes**;
- Purchases and rent of equipment are **properly accounted and documented** in the Project Partner's accounting system and related files;
- **Visibility** rules are fulfilled.

7.2.3.2.2 ON-THE-SPOT SPECIFICS FOR INFRASTRUCTURE AND WORKS

When carrying out the on-the-spot with infrastructure and works, the controller shall request from the responsible beneficiary the technical documentation and cost-estimations. The controller is obliged to check whether implemented infrastructure/ works are in compliance with application form/ last approved application form, technical documentation and cost-estimations for planned infrastructure/ works. If during the verification, controller identifies that beneficiary has implemented works that were not planned in the latest approved application form/ addendum to the subsidy contract, technical documentation as part of the project application, the controller cannot approve related costs as eligible costs.

During on- the-spot verification, the controller should verify that:

- Investment/work declared within the project has been **implemented in reality**, and **exists at the place** traceable from the Application Form;
- Investment/work components are **in line with the description** given in the approved Application Form/Bill of Quantities and in correlation with the invoices (temporary/final situations) and the final acceptance certificate;
- Investment/work is used only **for the project purposes**;
- Investment/work is **properly accounted** and documented in the Project Partner’s accounting system and related files;
- According to the evidence obtained, the **visibility requirements** of the Programme are respected;

The requirements concerning **durability**, as provided for by Article 65 of the CPR, of investment-type projects (5 years from the final payments), including those related to **ownership**. However, controllers are not responsible for checking fulfilment of this requirement.

7.2.3.2.3 INTERNAL PROCEDURE OF THE CB FOR ON-THE-SPOT VERIFICATIONS

During the provision of on-the-spot verifications, the following steps are defined:

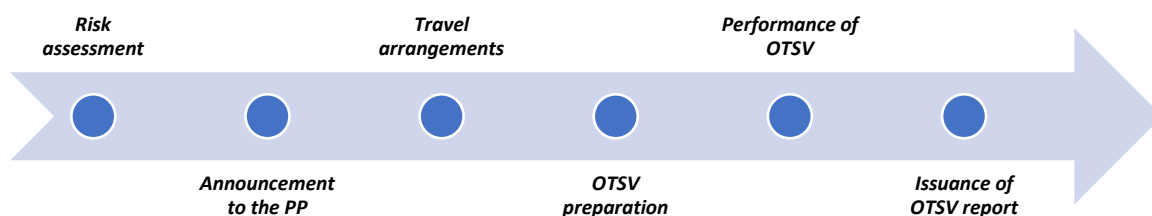


Figure 10 internal procedures for the on-the-spot verifications

Audit trail related to the on-the-spot verifications consists of:

| OTSV announcement | On-the-spot verifications | Validations |
|--|---|---|
| <ul style="list-style-type: none">• Notification letters / e-mails | <ul style="list-style-type: none">• Travel order, calculation and travel report• Online meeting proofs• Pictures• Other proofs | <ul style="list-style-type: none">• OTSV checklists/reports (Annex 6 - On-the-spot verification report)• Control certificates• Control reports• Control checklists |

Figure 11 Audit trail for the on-the-spot verifications

7.3 MAJOR AND SUPPORTING PROCEDURES OF THE CONTROL BODY

Every administrative and on-the-spot verification consists of a set of procedures that is applied by controllers. In practice, there are only a small number of key procedures that underlie checklists and control reports, namely the check of **completeness**, the check of **compliance**, the check of **plausibility** and the check of **existence and reality**. These key procedures have a clear control objective and are usually done with the explicit intention to determine the amount of eligible and ineligible expenditure.

| | |
|---|--|
| <p>Check of Completeness</p> | <ul style="list-style-type: none"> ↪ Intend to check whether information provided by the PPs is complete. ↪ This can relate, for instance, to the completeness of documents attached to the financial report but also to the completeness of revenues deducted. |
| <p>Check of Compliance</p> | <ul style="list-style-type: none"> ↪ Checks of compliance with legislation and rules governing the project. ↪ Many compliance checks are straightforward, with a clear control objective, a clear outcome and immediate effects on eligibility (e.g. expenditure was incurred during the eligible time period). ↪ Other compliance checks can be less straightforward such as those related to horizontal rules (e.g. 'equal opportunity and non-discrimination') or those related to more complex legislation such as public procurement or State Aid. |
| <p>Check of Plausibility (acceptability)</p> | <ul style="list-style-type: none"> ↪ Basically any check involving professional judgment on the side of the controller, such as checking value for money or the allocation of overheads, depreciations and staff costs to a project is a plausibility check. |
| <p>Check of Existence and Reality</p> | <ul style="list-style-type: none"> ↪ Checking if the beneficiary, the project, the product or service or a situation as described in project reports, project documents or oral explanations exist in reality. ↪ They are often straightforward, with a clear control objective and clear outcome. |

Table 8 Key procedures of the Control Body

The key control procedures usually consist of a set of sub-procedures. As illustrated in the figure below, there is a quite well-defined set of sub-procedures, which can underlie all substantive procedures:

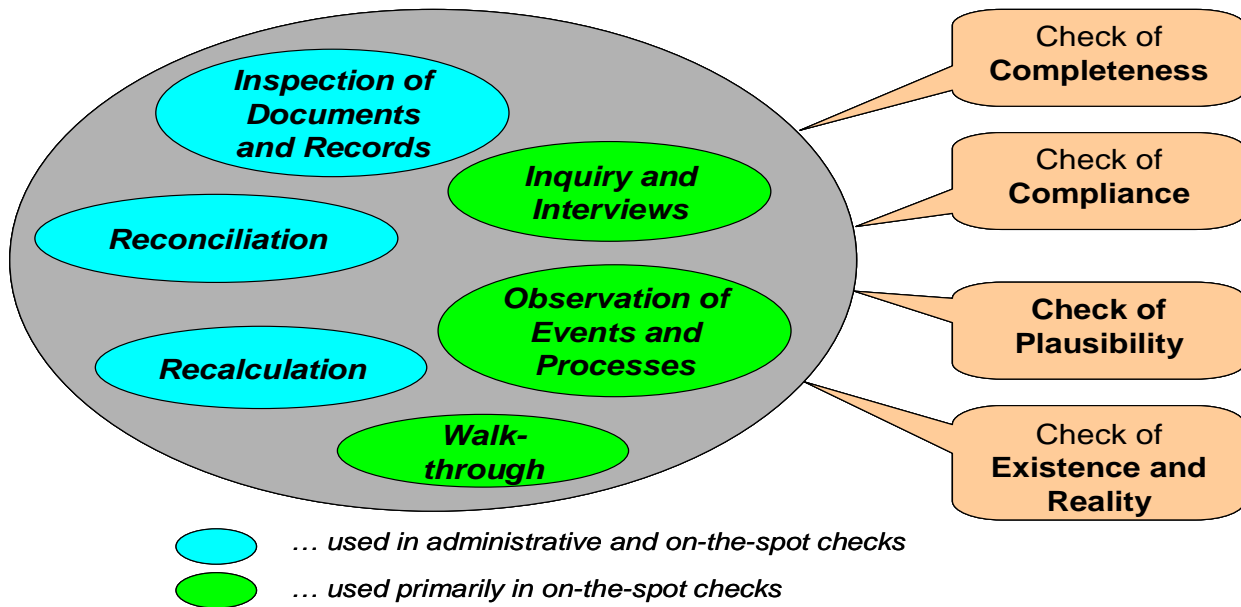


Figure 12 Supportive control procedures

Supportive procedures are described in more details below, depending on type of verifications.

| Desk based and on-the-spot verifications | Primarily in on-the-spot verifications |
|---|--|
| <p>Inspection of documents and records</p> <p>↪ Reading and understanding of any relevant document, electronic record or print out of an electronic record.</p> <p>Reconciliation</p> <p>↪ Check whether or not a figure included in one document is identical with the same figure included in another document (e.g., staff costs in the financial report are identical to the sum included in the staff cost overview).</p> <p>Re-calculation</p> <p>↪ Aimed at verifying that a figure was calculated correctly. If figures cannot be re-calculated, controllers either reject the figure or require the beneficiary to present a clarification.</p> | <p>Inquiries and Interviews</p> <p>↪ Inquiries are documented discussions with beneficiaries. Extensive inquiries are often called interviews.</p> <p>Possibility of observation</p> <p>↪ Involve watching people while they execute project-related activities such as an event or an internal process. Observations can thus be conducted in the office of the beneficiary or at any other site of project activities.</p> <p>Walk-Throughs</p> <p>↪ Trace a specific process or transaction of the beneficiary step by step (e.g. a public procurement). Useful in order to gain a better understanding of the beneficiary, the beneficiary's processes and internal controls and potential error sources/risks.</p> |

Table 9 Supportive procedures depending on type of verification

7.4 DOCUMENTING OF CHECKS AND REPORTING ON THE WORK OF THE CONTROL BODY

Experience has shown that sometimes controllers performed excellent control work but failed to document the work done in a way that would enable later audits (e.g. carried by audit authority, EC audit service, etc.) to fully understand what has been done.

Control documentation is electronic record, or less often, a hard copy of (1) the various controls performed by a controller, (2) the results and relevant evidence obtained through these controls and (3) the conclusions reached and corrective measures taken. It can include, for instance:

- Checklists;
- Control reports;
- Memos and Letters of confirmation;
- Correspondence concerning significant matters (including e-mails);
- Electronic versions of the beneficiary's records (e.g. contracts and agreements, invoices, promotional brochures, training material, etc.);
- Lists of items provided by the beneficiary (e.g. list of invoices, revenues, purchased goods, contracts, etc.);
- Photographs;
- Others.

CB documentation should provide a transparent basis for the Control certificate and evidence that the work was performed in accordance with the applicable legal and regulatory requirements.

CB documentation should also demonstrate the quality and transparency of the work done towards third parties (e.g. audit authority, EC audit service, etc.). It should enable auditors, who have no previous experience with the controller or beneficiary, to fully understand the controls performed, the evidence obtained and the conclusions reached.

Finally, preparing good documentation also enhances the quality of the CB work itself: It can be useful in planning and performing CB work and enables supervisors or peers to review the work done). It also provides a solid basis to effectively follow-up on errors detected.

The documentation of the control work carried out by the controller is an essential element of the audit trail. It is done through filling-in and issuing the following documents:

- Control Certificate, which certifies the compliance of the expenditure verified by the controller with the principles of eligibility, legality and relevance.
- Control report and checklist in which the controller gives evidence of the verifications performed and describes the methodology used for the verifications, explanation of the nature of the documents tested, of national and EU and programme rules checked, etc.

The use of the abovementioned documents by the controllers is compulsory. The documents must be filled in and issued by the authorised controllers through electronic monitoring system.

N.B. Checklist is not needed for Reports with 0 expenditures, only if Controller is checking the physical progress and has to fill out some answers in the checklist and unless otherwise is defined at the Programme level.

After finalization of administrative and on-the-spot verifications, the controller needs to generate the following audit trail:

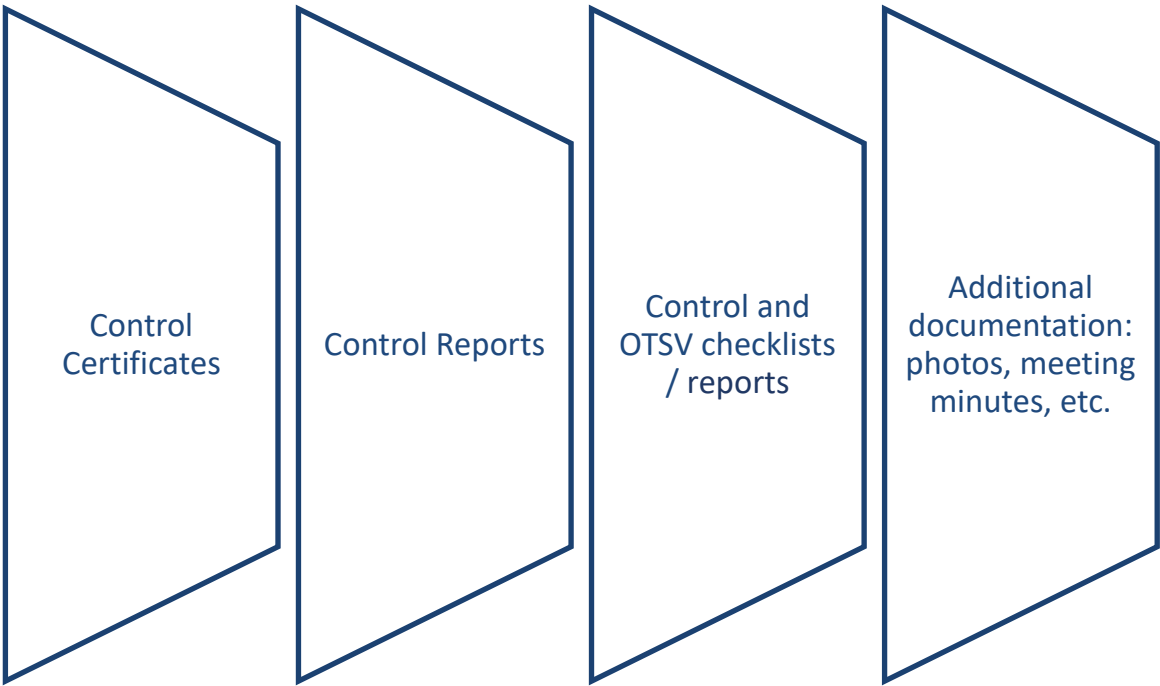


Figure 13 Audit trail for on-the-spot verifications

7.4.1 CLARIFICATION OR MODIFICATION OF CONTROL CERTIFICATES

In case JS/MA requests clarifications or modifications related to the Control Certificate, responsible controller will provide an explanation or a corrective certificate. Controller’s supervisor will be consulted in specific and complicated issues.

Clarifications or modifications related to Control Certificate related to PP’s complaints resolved by the NA, must be settled in accordance with the procedure described under Chapter E Complaints on controller’s work.

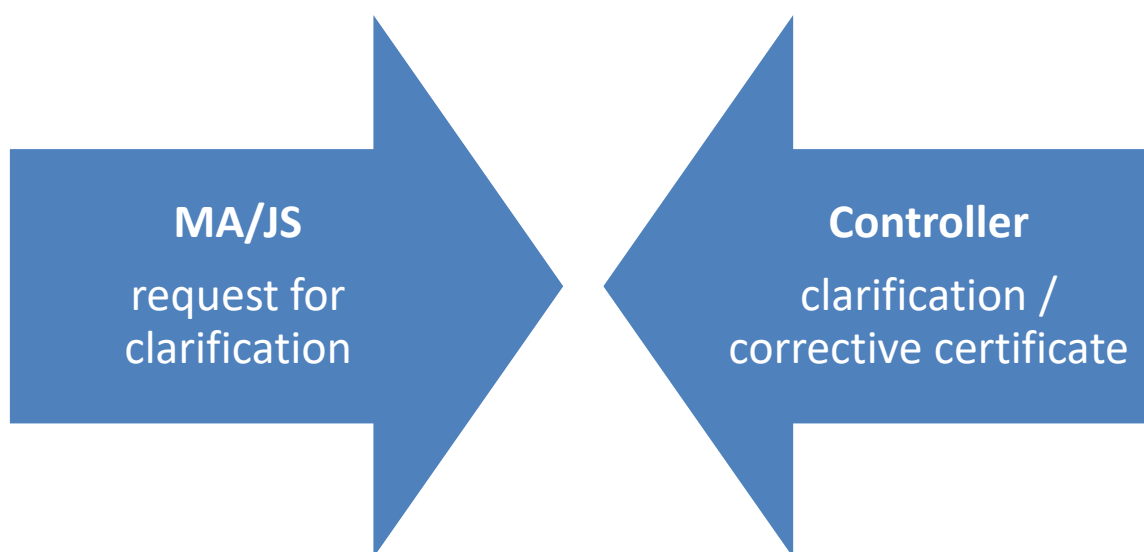


Figure 14 Clarifications/modifications of control certificate

7.5 REPORTING TO AND CONTROL BY THE NA

Countries participating in ETC Programmes are required to ensure that its management and control system is properly established and continues to operate satisfactorily. In connection with functions secured at national level in Serbia, the NA is responsible for performing the necessary checks on the management and control system for each of the 8 programmes in question; such checks concern, primarily, the Control Body for the control function. Modalities, which are laid down in section 3.3 of the “Manual for Serbian IPA Interreg Programmes under shared management”, foresee formal analysis of information by and discussions between the NA and the Control Body 4 weeks of the end of each 12 months period (one calendar year). If deemed necessary, NA may perform this check twice a year, on the 6-month period (e.g. by 30 January for the period 1 July to 31 December). The process results in the NA report on the compliance of the control system and monitor of implementation of follow-up actions to be taken by the Control Body.

7.5.1 INTERNAL PROCEDURE OF THE CB FOR REPORTING ON CONTROL WORK

In order to allow for examination by the NA, the Control Body shall ensure that the NA has, within 1 week of the end of each reporting period, information current at 30 June and 31 December concerning declared and certified expenditure for all Serbian project partners under all INTERREG IPA III programmes under shared management; the standard method shall

be for Control Body to upload the necessary data (in excel) to MEI’s electronic management system, ISDAICON¹⁶.

In addition, the Control Body shall also ensure that such data is updated regularly, so that information in ISDAICON is reasonably up-to-date. The internal procedure is described below.

The Control Body maintains a record of received progress reports from Serbian PPs and validated amounts as separate tables per programme per Call for Proposals.

Completed tables will be uploaded to MEI electronic management system, ISDAICON.

The procedure for reporting on the checked progress reports from PPs and validated amounts will be as follows:

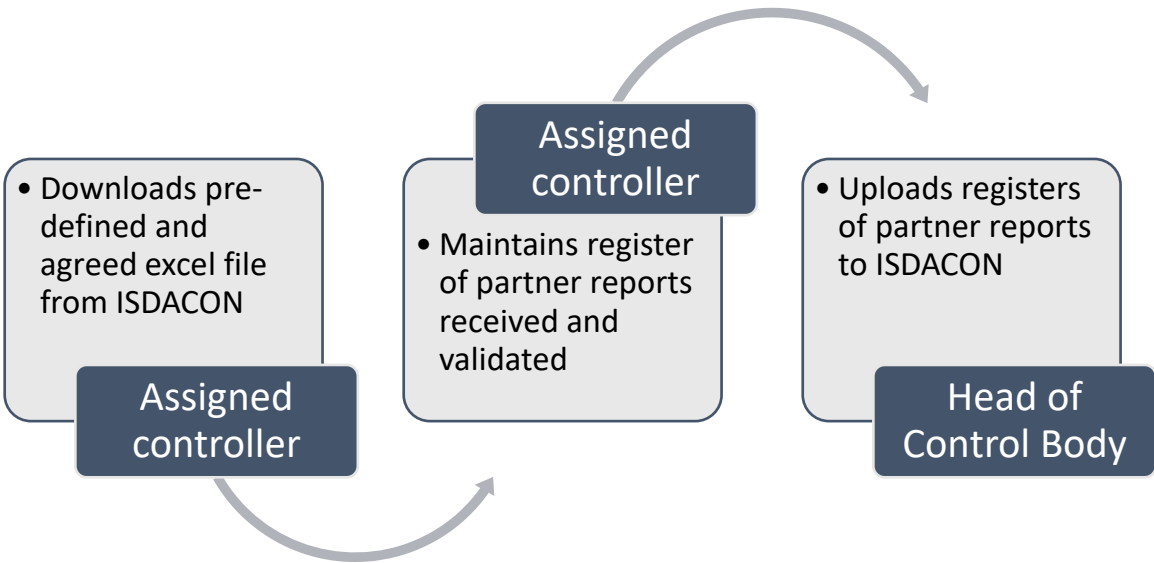


Figure 15 Internal procedure of the CB for reporting on control work

¹⁶ Or send an excel table by e-mail to the member of DETC’s staff drafting a report in case of ISDAICON malfunctioning.

8. ELIGIBILITY FRAMEWORK

8.1 LEGAL FRAMEWORK

The regulatory framework for the management and control of ETC programmes is defined by non-exhaustive legislative sources for the eligibility of the expenditures. There are three levels of eligibility rules¹⁷, which must be taken into account in their combination:

- EU rules – the restrictions stipulated in the respective EU legislation,
- Programme rules - the eligibility rules of the Programme, which can be specific,
- National eligibility rules - The eligibility of the national rules, which may be more restrictive than those on EU level.

In case of doubts the stricter rule shall apply.

As stated in each Framework agreement signed for each programme financed within IPA III, eligibility of operations and expenditure under the Interreg Programmes shall be governed by Articles 63 to 68 of the CPR, Articles 5 and 7 of Regulation (EU) 2021/1058 and Articles 37 to 44 of Regulation (EU) 2021/1059.

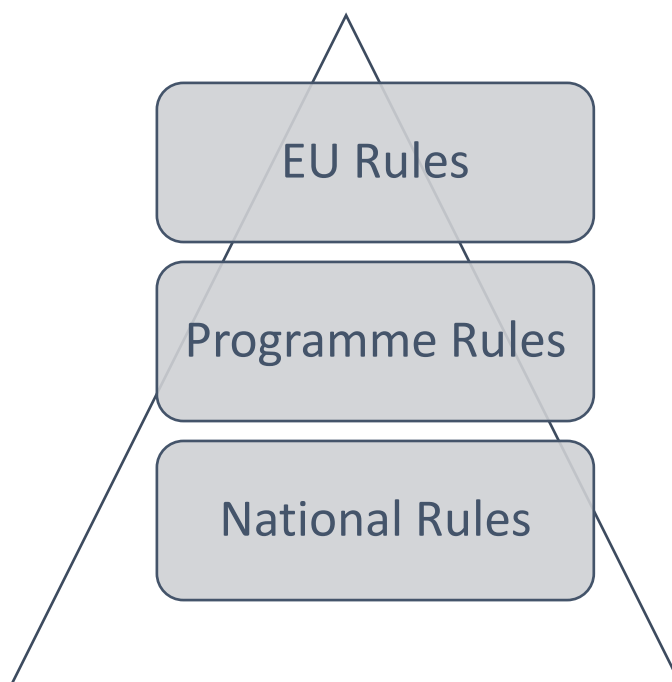


Figure 16 Hierarchy of eligibility rules

¹⁷ Actually this division is provisional, as in practice each level below contains the restriction of the previous level – for example the national rules repeat or refer to all the restrictions from the EU regulations, the texts of the Programme documents repeat or refer to all the restrictions from the EU regulations and the national rules and so on. In case of contradiction between the abovementioned rules, the stricter rule shall apply.

8.1.1 EU RULES

The basic level of determining the eligibility of certain expenditure is **at the EU level**. The related Regulations are as follows (non-exhaustive list):

- **Regulation (EU) 2021/1529** of the European Parliament and of the Council of 15 September 2021 establishing the Instrument for Pre-accession Assistance (**IPA III**),
- **Commission Implementing Regulation (EU) No 2021/2236** of 15 December 2021 on the specific rules for implementing Regulation 2021/1529 of the European Parliament and of the Council establishing an Instrument for Pre-accession Assistance (IPA III),
- **Regulation (EU) 2021/1060** of the European Parliament and of the Council of 24 June 2021, laying down common provisions on the ERDF, 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**).
Note: Eligibility of operations and expenditures under the Interreg Programmes shall be governed by Articles 63 to 68 of CPR as stated in each Framework agreement signed for each programme financed within IPA III.
Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the ERDF and external financing instruments (**Interreg Regulation**).
Note: Eligibility of operations and expenditures under the Interreg Programmes shall be governed by Articles 37 to 44 of Regulation (EU) 2021/1059 as stated in each Framework agreement signed for each programme financed within IPA III.
- **Regulation (EU) 2021/1058** of the European Parliament and of the Council of 24 June 2021 on the ERDF and on the Cohesion Fund and Corrigendum to Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the ERDF and on the Cohesion Fund (Official Journal of the EU L 231 of 30 June 2021) (**ERDF Regulation**).
Note: Eligibility of operations and expenditures under the Interreg Programmes shall be governed by Articles 5 and 7 of Regulation (EU) 2021/1058 as stated in each Framework agreement signed for each programme financed within IPA III.
- **Regulation (EU, Euratom) 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,
- **Financial Framework Partnership agreement between the European Commission and the Republic of Serbia** on specific arrangements for implementation of Union financial assistance to the Republic of Serbia under the Instrument for pre-accession assistance (IPA III).

8.1.2 PROGRAMME RULES


Without prejudice to the eligibility rules laid down in EU regulations, ETC programmes may establish additional rules on eligibility of expenditures. These rules are defined in different Programmes documents such as Control Guidelines, Implementation Manuals, etc.

Controllers should be acquainted with specific Programmes eligibility rules before starting with verification of expenditures.

8.1.3 NATIONAL ELIGIBILITY RULES

Serbian legal and regulatory acts need to be respected within the frame of performing control under ETC Programmes. Controllers need to check respect of the national regulatory framework by the beneficiaries such as Labour Law, Law on Planning and Construction, Law on State Aid Control, as well as all other national regulations and acts applicable to the Serbian beneficiaries.

For each programme under shared management (BG, HR, HU, RO, AI, DR, IE, URB, ESPON), a single multi-annual FA is concluded between Serbia and the EC relating to all budgetary years (i.e. from 2014 to 2020). The duties and responsibilities of Serbia on the one hand and the lead MS on the other with regard to implementation and management and control issues are set out either in FAs themselves (RO, AI, DR), in which case the FAs are also signed by lead MSs, or in separate MoU/Is (BG, HR, HU).

| | |
|---|--|
|  | <p>All expenditures have to be in line with the EC regulations, the Programmes and relevant national rules and legislation.</p> <p>In case of deviation of the rules in this Manual from the programme rules, the rules of the programme will prevail.</p> <p>Note that the list of regulations is not exhaustive. Rules and regulations may be amended during the programme implementation period.</p> |
|---|--|

8.2 GENERAL ELIGIBILITY RULES

For expenditures to be declared as eligible the following general requirements must be fulfilled:

- a) They are incurred by the LP/PPs of a grant and paid solely by LP/PPs, with the exception of costs calculated as flat rates or lump sums;
- b) They are incurred during the implementation period of the Operation, with the exception of preparatory and contracting costs and closure costs;
- c) They are indicated in the estimated overall budget of the operation;
- d) They are essential for the achievement of the project objectives/outputs;

- e) They are identifiable, verifiable and documented (e.g. contract, invoice, order form);
- f) They are registered in the beneficiary's accounts through a separate accounting system or an adequate accounting code set in place specifically for the project (with the exception of costs calculated as flat rates and lump sums);
- g) They comply with the requirements of applicable tax and social security legislation;
- h) They are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency;
- i) They are incurred in accordance with the relevant EU legislation, Programme rules, and when applicable national legislation;
- j) They are not listed as an ineligible expenditure;
- k) They relate to cost items that did not receive support from other EU Funds or other.


8.2.1 EU HORIZONTAL PRIORITIES

The **EU Horizontal Priorities** should also be considered as part of the common EU eligibility rules – i.e. all projects, receiving financing by the EU, must have positive or at least neutral effect towards the following main priorities of the EU:

- Environment protection and sustainable development,
- Non-discrimination,
- Adherence to competition rules and state aid rules,
- Adherence to procurement rules.

The **national rules** have most often two sources:

- Budget legislation, related to public expenses,
- Technical legislation (e.g. environment protection, construction, etc.).

| | |
|---|--|
|  | <p>The main principle is that when EC creates eligibility rules at EU level, the Participant States should follow them strictly and not to elaborate rules with less restrictive force in the area. But there is no restriction for the Participant States to create rules with more restrictive force than the required by the EU.</p> |
|---|--|

For Serbia the applicable eligibility rules for IPA programmes laid down in the **Framework Agreement** between Government of the Republic of Serbia and the Commission of the European Communities on the rules for co-operation concerning EC financial assistance to the Republic of Serbia in the framework of the implementation of the assistance under the IPA and in the **FAs** concluded between Serbia and the EC for every single Interreg-IPA CBC and TNC/IR.

Besides EU and national legislation, **ETC Programmes** contain several important criteria for determination of the eligibility of the expenditures, for example according to the planned expenditures by priorities (onto which activities the Programme focuses and therefore which activities will be eligible) or depending on the potential beneficiaries (which beneficiaries will

be eligible). The different methodological, informational, etc. guidelines, published by programme level authorities are also a source of information regarding the specific eligibility rules.

Besides these elements of eligibility, contained in the Programme documents, there are elements contained in the **Application Package of each CFP** (mainly in the Application Guide and the Subsidy Contract), approved by the authorities of the Programmes, for example:

- the standard duration of the projects,
- the allowance or not of some types of expenditures,
- the possibility to make expenditures outside of the defined areas of the Programme,
- the possibility to make changes in the Partnership Agreement with the LP for extension of the project duration after the change of the Subsidy Contract,
- the possibility for reallocation of funds between the different categories of expenditures in the framework of the project according to the rules defined in the programme documents of each programme.

8.2.2 GENDER EQUALITY AND EQUAL OPPORTUNITIES

During implementation of the projects, it is important to comply in accordance with the Charter of Fundamental Rights of the European Union within Article 9 of the CPR respecting horizontal principles of equal opportunity, non-discrimination and gender equality.

Equality between women and men should be insured throughout the project cycle, while gender mainstreaming and the integration of a gender perspective should be taken into account and promoted. Any discrimination based on gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation has to be prevented.

Accessibility for persons with disabilities should be taken into account throughout the preparation and implementation of programmes.

8.2.3 SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PROTECTION

The objectives of all Programmes should be pursued in the framework of sustainable development and the Union's promotion of the aim of preserving, protecting and improving the quality of the environment taking into account the UN Sustainable Development Goals, the Paris Agreement and the "do no significant harm" principle.

In accordance with Article 9 of EU Taxonomy Regulation 2020/852 designed to help the EU meet key 2030 and 2050 climate goals, the following shall be environmental objectives:

- a) climate change mitigation;
- b) climate change adaptation;
- c) the sustainable use and protection of water and marine resources;

- d) the transition to a circular economy;
- e) pollution prevention and control;
- f) the protection and restoration of biodiversity and ecosystems.

8.2.4 ANTI-FRAUD POLICY

ETC programmes are committed to protect EU and public funds against fraud and corruption in accordance with its capacity. In accordance with Article 3(2) of Directive (EU) 2017/1371 fraud is a deliberate act of deception intended for personal gain or to cause a loss to another party.

The term fraud is commonly used to describe a wide range of misconducts including theft, corruption, embezzlement, bribery, forgery, misrepresentation, collusion, money laundering and concealment of material facts.

ETC programmes have zero tolerance policy to fraud and corruption.

8.3 TERRITORIAL ELIGIBILITY

Commission Delegated Regulation (EU) No 2021/1059 of 30 June 2021 supplementing Regulation (EU) No 1060/2021 of the European Parliament and of the Council sets specific rules on eligibility of expenditure for Cooperation programmes. A common provisions regulation is established to govern 8 EU funds whose delivery is shared with Member States and regions. Together, they represent a third of the EU budget.

One of the conditions for the participation in the ETC programmes is the eligibility area requirement. Each Interreg Programme defines the eligible area in terms of the whole programme and specific priority axes. According to Article 37(1) of Interreg Regulation all or part of an Interreg operation may be implemented outside of a MS, including outside the Union, provided that the Interreg operation contributes to the objectives of the respective Interreg programme. Usually, Programmes add a second condition that justification for activities outside programme area is provided within the Application Form.

8.4 TIME-WISE ELIGIBILITY

In line with Article 63 of the CPR, expenditures under the Programme are eligible for funding between the date of submission of the Programme to the Commission or from 1 January 2021, whichever date is earlier, and 31 December 2029.

However, keep in mind that Article 56 of the IR states that contribution from external financing instruments of the Union may be claimed from the programme after the date when the FA was concluded.

Programmes may establish additional rules relating to different phases of project cycle. Controllers need to consult programme documents to determine if any differentiation is set at programme level between project preparatory, implementation and closure period.

8.5 INELIGIBLE COSTS


Ineligible costs in principle are defined in the relevant regulations and specific sectorial or FAs. **Expenses not included in the list below are not automatically eligible.**

In line with Article 64 of CPR, the following costs are not eligible:

- Interest on debts;
- Purchase of land for an amount exceeding 10 % of the total eligible expenditure for the operation concerned; for derelict sites and for those formerly in industrial use which comprise buildings, that limit shall be increased to 15 %; for financial instruments, those percentages shall apply to the programme contribution paid to the final recipient or, in case of guarantees, to the amount of the underlying loan;
- VAT except when the total cost of operation is below EUR 5,000,000.00.

In line with Article 38(3) of Interreg Regulation, the following costs are not eligible:

- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs of gifts;
- Costs related to fluctuation of foreign exchange rate.

| | |
|---|--|
|  | <p>Other ineligible expenditures shall be defined by the specific Programme. For additional information, please consult programme documents on eligibility of expenditures.</p> |
|---|--|

8.6 EXCHANGE RATES

All expenditure reported in the Statement of expenditure must be denominated in Euro. This means that all PPs must convert the expenditure according to Article 38 (5) of Interreg Regulation “...expenditure paid in another currency shall be converted into euro by each beneficiary coming from countries which have not adopted the euro as their currency using the monthly accounting exchange rate of the Commission in the month during which that expenditure was submitted for verification.”. This rate is published electronically by the Commission each month:

https://commission.europa.eu/funding-tenders/procedures-guidelines-tenders/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en

Thus, the same exchange rate will be applied per reporting period to all expenditure regardless of their payment or invoice dates. The application of correct exchange rate shall be verified by the Controller. Costs related to fluctuation of foreign exchange rate are not eligible as already

described under above section related to „*Non-eligible costs*“.

In the case of **foreign exchange gain/loss**, the difference can occur not only from the moment of payment until the reporting, but also ones that derive from the contracts with foreign exchange clause, regardless of the budget line.

9. COST CATEGORIES

Commonly, the ETC projects' expenditures may be eligible under the following cost categories:

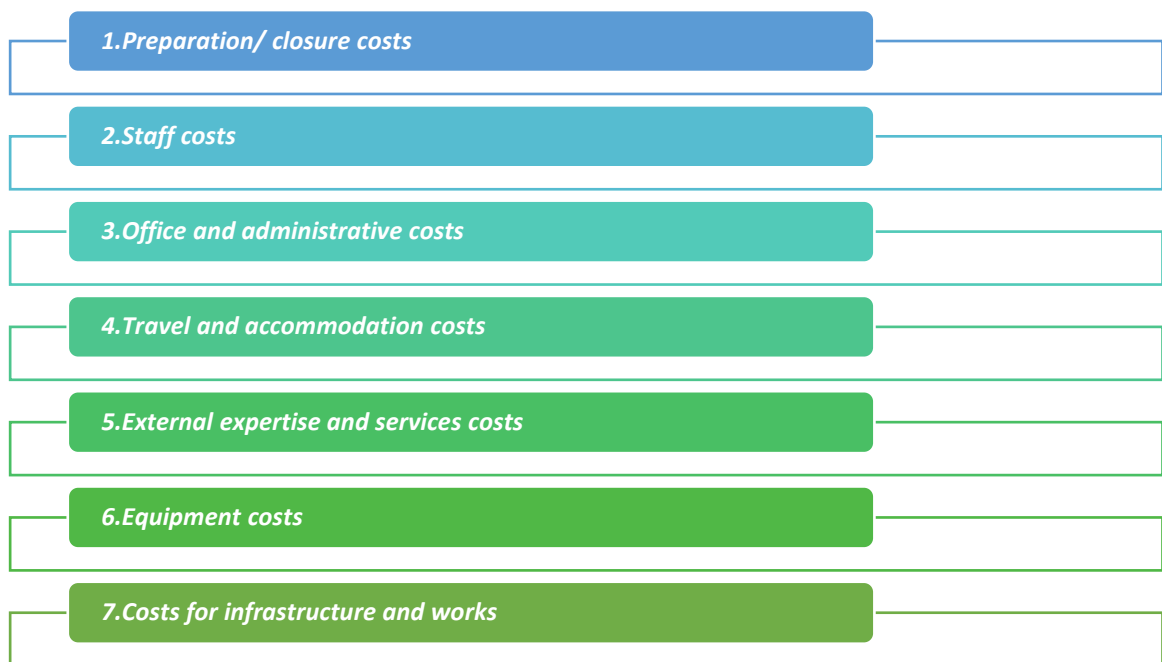


Figure 17 Interreg cost categories

In the sections to follow, those budget heading will be described as regards some basic principles for control verifications to be carried out. For concrete projects' verifications, Controllers should always refer to Programme's specific requirements.

9.1 PREPARATION COSTS AND CLOSURE COSTS

Preparation costs represent a special category of eligible expenditure that may be incurred during the preparation/ development phase of the project i.e. date of submission of the Draft Co-operation Programme to the EC until the start date of the project implementation period. They must be clearly identified in the project proposal's budget. This category includes expenditure on the preparation of projects (meetings between partners, consultations, studies, and translation of documents, taxes and other charges) or purchase of equipment necessary for the preparation of the project activities carried out before signing the subsidy

contract.

Apart from the preparation costs as special category of eligible expenditure, under programmes **closure costs** may be allowed as eligible costs with detail applicable rules. The closure costs are related to activities of the preparation and submission of the final progress report. This amount aims to compensate the work related to the operation closure after the end date of the operation implementation period.

In general preparation and closure costs are reimbursed as SCO, most commonly lump sums.

9.2 STAFF COSTS

As stated in Article 39 of the Interreg Regulation staff costs are defined as gross employment costs of staff employed by the PP. Staff costs include salary payments and other costs directly linked to salary payments and paid by the employer (such as employment taxes and social security, including pensions and health insurance) in line with the employment document, in accordance with the legislation. Salary costs must be related to the activities which the entity would not carry out if the project concerned was not undertaken, provided for in writing, or by law, and relating to responsibilities specified in the job description of the staff member concerned.

They can be claimed as **real costs or flat rate costs** (depending on the specific programme rules). Programme authorities may decide that different staff costs declaration methodologies are applied on the programme level or operation by operation depending on the type of operation or type of beneficiaries. Therefore, always consult eligibility rules of expenditure related to specific programme.

In general, the following staff costs can be reimbursed:

- **Real costs:** where the Beneficiary must document that expenditure has been incurred and paid,
- **Flat rate:** Staff costs of an operation may be calculated at a flat rate of up to 20 % of the direct costs other than the staff costs of that operation. In some programmes there is possibility to use 10% flat rate in case of investment projects, therefore, since staff costs may differ from programme to programme due to the programme specific rules, please consult relevant programme manual for further details.

In case of the real costs, the following options may be applied:

- 1) **Full-time** in the project where employee works 100% of the working time on a project, regardless of the number of hours he/she was hired for (no need for timesheets);
- 2) **Part-time** in the project where person who works additionally in other projects or fulfils non-project related duties in the company (part-time **with a fixed percentage** of time per month dedicated to the project (no need for timesheets) and part-time with **a flexible number of hours** worked per month on the project (timesheets needed));
- 3) Contracted for project purposes **on an hourly basis** (timesheets needed).

In the table below it is shown how ETC programmes in which Serbia participates are using different real costs options.

| PROGRAMMES 2021-2027 | FULL TIME | PART TIME | PART-TIME WITH A FLEXIBLE NUMBER OF HOURS WORKED PER MONTH |
|--|-----------|-----------|--|
| Interreg IPA Programme Bulgaria-Serbia ¹⁸ | - | - | - |
| Interreg IPA Programme Croatia-Serbia | √ | √ | - |
| Interreg IPA Programme Hungary-Serbia ¹⁹ | √ | √ | - |
| Interreg IPA Programme Romania-Serbia ²⁰ | - | - | - |
| Interreg IPA Adriatic Ionian Cooperation Programme | √ | √ | √ |
| Interreg Danube Region Programme | √ | √ | - |
| Interreg Europe Cooperation Programme | √ | √ | - |
| URBACT IV | √ | √ | √ ²¹ |

Table 10 Different real staff costs options per programme

The calculation is done on the following basis:

- Remuneration costs charged should be **taken from payroll accounts** and should be **the total gross remuneration plus the employer's portion of social charges**. Remuneration costs must be calculated individually for each employee and must be based on the monthly pay slip. All remuneration related costs, such as travel cost reimbursement, membership in professional bodies and chambers, board wages, annual leave contribution etc. are deemed to be accepted as eligible costs related to the remuneration package, unless defined ineligible in the respective programming rules.
- Working time must be recorded throughout the duration of the action. **Estimations of hours/days worked are not acceptable**. The maximum acceptable working hours cannot exceed the maximum time defined in the Labour Law. The Law also defines possible overtime, but the Controller needs to check eligibility of overtime in the

¹⁸ At the time this Manual was made BG-SRB programme published only Restricted Call for Strategic Project Proposal and for staff cost category only flat rate of 5% of eligible external, equipment and works costs was envisaged.

¹⁹ At the time this Manual was made HU-SRB programme published only the 1st CfP. Generally, staff costs shall be reimbursed on the basis of flat rate (20% or 10% depending on the amount of direct costs of the partner, for details see ELIGIBILITY OF EXPENDITURES document). However, for small-scale projects real costs are allowed. More precisely, small scale partners can choose between REAL COSTS for Staff costs and FLAT RATE for costs other than staff costs, calculated as 40% of Staff costs.

²⁰ At the time this Manual was made Romania-Serbia programme published only the 1st CfP and in it envisaged staff costs to be reimbursed as a flat rate up to 20% of the direct costs (external, equipment and works) other than the direct staff costs, at partner level.

²¹ The URBACT Programme proposes only method in accordance to Article 55(2) of the CPR, where the latest documented monthly gross employment costs are divided by the average monthly working time of the person concerned.

programme rules. When it comes to the type of contract, the Labour Law recognizes several types of contracts between employer and employee i.e. employment contracts for regular employer's job posts that is primarily full-time type of the contract but in some cases, it could be part-time as well; service contract related to delivery of specific services not under employer's competences. Either way it is prohibited to charge same days/ hours twice, even though in case of service contracts it is allowed to have more than one contract at the same time. In case it is discovered that same working days/ hours are also charged on another project/ basis, the declared amount should be deemed ineligible. For staff working full-time on the project and for staff working part-time with a fixed percentage of time worked per month there is no obligation to provide time sheets. Timesheets are required when staff costs are claimed as one of the "part-time with a flexible number of hours worked per month" methods available in the respective programme.

- In case that the working outside of the regular place of work has not been proscribed in the contract, the working hours reported in such way shall not be accepted as eligible.
- If a new position (full-time or part-time) is created in the organization solely for implementation of the project, the gross salary rates for this position shall correspond to similar positions and qualifications in this organization. If the organization did not employ the staff before the project (e.g. NGO having only voluntary workers), it can create new positions and establish gross salaries which correspond to average rates in the country in the sector, taking into consideration the market situation and national legislation regulating the rates of the salaries.

9.2.1 AUDIT TRAIL FOR REAL STAFF COSTS

- employment/labour contracts;

The contracts have to correspond with the project in terms of timing, duration, scope and activity they have to be signed by both parties and properly registered. The controllers shall check the following:

- Employment/work contract or an appointment decision/contract considered as an employment document and their addenda/ modifications,
- Document setting out the percentage of time to be worked on the project per month (if not specified in the contract),
- Job description providing information on responsibilities related to the project/task assignment document/letter.

- payslips or other accounting documents where the personnel costs are clearly detectable;
- proofs of payments of salaries and the employer's contribution;
- time - sheets (if applicable).

The following information must appear on the time-sheets:

- be filled in separately for each employee and worker involved in the project;
- contain information on a monthly basis about the hours/days worked for the project;

- state briefly the activities performed within the project;
- information about the total hours/days worked per month for the project;
- be signed by the employee and his/her supervisor;
- any other document that the Controller might require for checking compliance with national legislation.

9.3 OFFICE AND ADMINISTRATIVE COSTS

As defined by CPR and Interreg regulation Office and administrative costs cover general office and administration expenditures related to the project. These indirect costs are listed in Article 40 of IR and limited to the following elements:

- office rent;
- insurance and taxes related to the buildings where the staff is located and to the equipment of the office (such as fire or theft insurance);
- utilities (such as electricity, heating, water);
- office supplies;
- accounting;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems;
- communication (such as telephone, fax, internet, postal services, business cards);
- bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened; and
- charges for transnational financial transactions.

The above list is exhaustive, and programmes cannot add additional types of costs to this list.

In 2021-2027 all ETC programmes encompassed by this document have opted to reimburse **Office and administrative costs as an SCO**, more precisely:

- a **flat rate up to 15 % of eligible direct staff costs**, in line with Article 40(2) of IR and Article 54(b) of CPR
- or as a **part of a flat rate of up to 40 % of eligible direct staff costs** used to cover the remaining eligible costs of an operation, in line with Article 56(1) of CPR, if applicable by the Programme.

Being that the office and administrative costs are reimbursed as an SCO, beneficiaries do not need to document that the expenditure has been incurred and paid or that the flat rate corresponds to the real costs. Accordingly, no documentation on office and administrative costs is required to be provided to the controller.

9.4 TRAVEL AND ACCOMMODATION COSTS

Travel and accommodation costs must be clearly linked to the operation and be essential for effective delivery, promotion and/or sustainability of the operation activities. Travel and/or accommodation costs should be in line with the principle of sound financial management i.e. it should be chosen as the most economical travel option or otherwise duly justified.

As stated in Article 41(1) of IR Travel and accommodation costs, **regardless of whether such costs are incurred and paid inside or outside the Programme area**, is limited to the following elements:

- travel costs²²;
- the costs of meals;
- accommodation costs;
- visa costs;
- daily allowances.

This list is exhaustive.

Any cost element covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

A more detailed description of conditions related to eligibility of travel and accommodation costs is listed below:

- Travel costs directly related to and essential for the effective delivery of the project and covering the economy class travel on public transport or rented/own vehicles only for project staff members. As a general rule, the most economical way of transport must be used. However, if the most economical way of transport can't be justified (for ex. it takes twice much time or multiple exchange of means of transport), the most efficient way of transport can be accepted if the beneficiary can clearly justify the choice of travel.

Travel costs will usually cover expenses for: airplane tickets, train tickets, bus tickets, car/mini-bus travels (expenditure for fuel/ kilometre, vehicle maintenance, green cards, motor way taxes, vignettes, etc.), medical insurance, etc.

In the case of the fuel cost for the **private vehicle** used for the needs of the project, relevant proof documentation should contain issued decision for the use of car for specific travel.

In case of **company car** relevant proof documentation should contain average consumption of fuel for the type of vehicle used and Car log.

- **Accommodation costs** should also be most economical travel option and within the national limits set under national regulation such as *“Decree on reimbursement of costs for civil servants and appointees,”* mentioned above. The public authorities must

²² e.g. tickets, travel and car insurance, fuel, car mileage, toll, parking fees, taxi in exceptionally cases when no public transport is available, cost of registration in the ETIAS system, cost of medical certificates obligatory for border crossing

comply with the rules applicable in country. Therefore, accommodation in hotels with a rating higher than 4* in principle is not eligible, only in exceptional cases regulated by *the Decree*. In any case it should be duly justified;

Note: Controllers should consult relevant programme documentation during the process of verification of such expenditure, since, in certain cases, specific restrictions are laid down at programme level.

- **Daily allowance** for project's staff occurring from project work related travel. The daily allowance must not exceed the usual daily allowances of the public authorities of the PP's country and must comply with the rules applicable in the country. Despite of the project's partner legal status, the daily allowances rates of the public authorities have to be followed. In case of travel through multiple countries, whereas the person didn't exceed 8 hours, the total allowance will be calculated on the basis of the country where the main activity will take place.

Costs must be borne by the partner organisation. Direct payments by a staff member of the partner organisation must be supported by proof of reimbursement from the employers i.e. partner.

All organizations should define in their internal acts the modalities of calculation and payment of Per diems. In case that the PP fails to submit the relevant document, the eligibility of costs shall be calculated based on the same basis as for the PPs that are budgetary users (the reference document for the public organizations is the "*Decree on reimbursement of costs for civil servants and appointees*" (Official Gazette in force) adopted by Government of Serbia with subsequent modifications regulating method for calculation and payment of per diems for in-country and abroad travel).

Other relevant legislation includes:

- Law on foreign exchange operations,
- Income tax Law.

It should be noted that external services (i.e. travel agencies) and their eligibility under this budget line should be checked in accordance with the relevant programme rules.

Moreover, any element which is covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

9.4.1 AUDIT TRAIL FOR REAL TRAVEL COSTS

- travel order,
- calculation of travel costs,
- agenda /programme for the meeting/event,
- the travel report or equivalent memo,
- original tickets and all other original documentary evidence for the travel (i.e. boarding pass, invoices/other equivalent documents for accommodation, in the case of e-tickets without its standard flight ticket, an e-mail with the booking number serves as a proof etc.),

- proofs of payment,
- any other document that the Controller might require for checking compliance with relevant legislation.

9.4.2 SCO FOR TRAVEL AND ACCOMMODATION COSTS

Programmes can decide to reimburse T&A costs as the following two forms of flat rates:

- In accordance with article 41(5) of the IR travel and accommodation costs can be calculated at a flat rate up to 15% of the direct staff costs.
- or as a part of a flat rate of up to 40 % of eligible direct staff costs used to cover the remaining eligible costs of an operation, in line with Article 56(1) of the CPR.

In the table below it is shown how ETC programmes in which Serbia participates are using different flat rate options for travel and accommodation costs, however keep in mind that programmes can introduce new reimbursement options in future calls for proposals.

| PROGRAMMES 2021-2027 | FLAT RATE | REAL COSTS |
|--|---|------------|
| Interreg IPA Programme Bulgaria-Serbia | flat rate up to 15% of staff costs | - |
| Interreg IPA Programme Croatia-Serbia | flat rate up to 15% of staff costs OR part of a flat rate of up to 40 % of staff costs | - |
| Interreg IPA Programme Hungary-Serbia | flat rate of 15% of staff costs part of a flat rate of up to 40 % of staff costs | - |
| Interreg IPA Programme Romania-Serbia | flat rate up to 15% of staff costs | - |
| Interreg IPA Adriatic Ionian Cooperation Programme | flat rate of 15% of staff costs OR part of a flat rate of up to 40 % of staff costs | √ |
| Interreg Danube Region Programme | flat rate of 15% of staff costs | √ |
| Interreg Europe Cooperation Programme | flat rate of 15% of staff costs | √ |
| URBACT IV | - | √ |

Table 11 SCO for Travel and accommodation costs

9.5 EXTERNAL EXPERTISE AND SERVICES COSTS

External expertise and services cover costs paid on the basis of contracts and against invoices that are acquired to carry out certain tasks or activities, linked to the delivery of the project. The work done by external experts and service providers must be essential to the project.

Each PP is responsible for ensuring that EU and national public procurement rules are respected and that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment as defined in the EC Treaty and the EU Financial Regulation no. 2018/1046. No sub-contracting between PPs is allowed.

All additional costs related to external experts (e.g. travel and accommodation expenses for external experts) must be foreseen in the service contract and recorded under this budget line:

- The work of external experts/service providers is **essential to the implementation of the project**;
- **Rates charged** by the external experts/service providers **are reasonable** and are in relation to the level of experience and expertise, as well as to the quality of the service offered;
- The selection of the experts/service providers is in **compliance with the public procurement rules** and regulation in force;
- The external expertise is **not** provided by the Lead Beneficiary, by a PP or by an Associated Partner.

As stated in Article 42 of the IR External expertise and service costs shall be limited to the following services and expertise provided by a public or private body or a natural person, other than the beneficiary, and all partners of the operation:

- studies or surveys (such as evaluations, strategies, concept notes, design plans, handbooks);
- training;
- translations;
- development, modifications and updates to IT systems and website;
- promotion, communication, publicity, promotional items and activities or information linked to an operation or to a programme as such;
- financial management;
- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (such as registration fees);
- legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights;
- verifications pursuant to point (a) of Article 74(1) of CPR and Article 46(1) of this Regulation;

- costs for the accounting function on programme level pursuant to Article 76 of Regulation (EU) 2021/1060 and Article 47 of this Regulation;
- audit costs on programme level pursuant to Articles 78 and 81 of Regulation (EU) 2021/1060 and pursuant to Articles 48 and 49 of this Regulation;
- the provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the MC;
- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers; and
- other specific expertise and services needed for operations as defined in the project Application Form and directly related to the project.

The above list is exhaustive, and programmes cannot add additional types of costs to this list (a programme may specify the catalogue of costs under the last bullet).

9.5.1 AUDIT TRAIL FOR EXTERNAL EXPERTISE AND SERVICES REAL COSTS

Depending on whether the service contract in question is fee-based or global price in nature:

- Evidence of compliance to public procurement rules at EU, Programme level and national level, depending on the estimated amount of purchase;
- Contract laying down the services to be provided with a clear reference to the project. For experts paid on the basis of a daily fee, the daily rate together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the public procurement rules and must be documented;
- An invoice providing all relevant information in line with the applicable accountancy rules;
- Mission reports and relevant time-sheets;
- Outputs of the work of external experts or service deliverables, with the beneficiary's proof of acceptance;
- Proof of payment;
- Any other document that the Controller might require for checking compliance with national legislation.

For expenditure under or equal to 2,500 Euro, the invoices and proof of payment must be presented to the controller.

9.5.2 SCO FOR EXTERNAL EXPERTISE AND SERVICES

Programmes commonly²³ decide to reimburse External expertise and services costs **as a part of a flat rate of up to 40 % of eligible direct staff costs** used to cover the remaining eligible costs of an operation, in line with Article 56(1) of the CPR.

9.6 EQUIPMENT COSTS

This category refers to costs for equipment purchased, rented or leased by a partner other than those covered by the cost category ‘office and administration expenditure’ and necessary for the implementation of the project.

Therefore, expenditure for the financing of equipment purchased, rented or leased by the partner of the operation other than those covered by Article 43 of Regulation (EU) No 1059/2021 shall be limited to the following:

- Office equipment;
- IT hardware and software;
- Furniture and fittings;
- Laboratory equipment;
- Machines and instruments,
- Tools or devices;
- Vehicles;
- Other specific equipment needed for the project.

Purchase or rental of equipment is **eligible only if it is essential and directly related to project** implementation and if listed in the approved Application Form. All equipment shall be necessary and shall exclusively be used for the implementation of the project having a clear contribution to the achievement of the project’s objectives. Supplies should be selected with regard to the relevant **public procurement rules**.

Full purchase cost of equipment is eligible, if it is used solely for the purpose of the project or the target group in line with objectives of the project and incurred and paid within the eligible period.

For equipment that has been purchased before the project approval but used solely for the project, or equipment purchased and used partially for the project, a pro-rata allocation of costs to the project (duration, degree of use) is eligible. This share has to be calculated according to a justified and equitable method in line with the legislation or general accounting policy of the partner organisation.

Depreciation of costs is eligible if conditions specified in Article 67(2) CPR are met. The cost must be calculated in accordance with the legislation and general accounting policy of the partner organisation.

Full purchase cost of equipment that is not depreciable (e.g., low-value asset) is eligible.

²³ Next to flat rate as provided for by Article 56(1) of the CPR, some Interreg programmes use lump sums. E.g. HU-SRB uses communication lump sum in combination with real costs under External expertise and services.

Costs for the purchase of second-hand equipment may be eligible subject to the following conditions:

- no other assistance has been received for it from the Interreg funds or from the funds listed in point (a) of Article 1(1) of the CPR;
- its price does not exceed the generally accepted price on the market in question; and
- it has the technical characteristics necessary for the operation and complies with applicable norms and standards.

Programmes may establish more detailed rules and additional conditions in relation to eligibility of full purchase price and/or depreciation costs of equipment, so controllers need to examine programme documents prior to verification of equipment items.

Some programmes may request PPs to provide to Controller a declaration that equipment will be used by the PP for the same purpose for at least 5 years after project closure.

Equipment cannot be purchased from another PP of the respective project.

The following costs are eligible:

- Equipment necessary and directly related to the professional implementation of the project (they have been included in the approved AF, part of the subsidy contract);
- If no other EU funds have contributed towards financing of the same expenditure item, (i.e. no double funding is allowed);
- Office equipment (purchase of computers, office furniture etc.) shall be eligible in duly justified cases, if related to the project management and if necessary for the implementation of the project.

9.6.1 AUDIT TRAIL FOR EQUIPMENT COSTS

- ➞ Evidence of the procurement process (announcement, selection, award) in line with the applicable procurement rules, depending on the estimated amount of purchase;
- ➞ Contract laying down the equipment to be provided, with clear reference to the project and the programme;
- ➞ Invoice (or a supporting document having equivalent probative value to invoices) providing all relevant information in line with the applicable accountancy rules;
- ➞ Provisional and/or final Acceptance procedure as well as relevant certificates;
- ➞ Proof of payment;
- ➞ Depreciation plan (showing the percentage of amortization during project lifetime);
- ➞ Proof that the goods have been properly registered as asset;
- ➞ Proofs of visibility.

For expenditure under or equal to 2,500 Euro, the invoices and proof of payment must be presented to the CONTROLLER.

9.6.2 SCO FOR EQUIPMENT COSTS

Programmes commonly decide to reimburse Equipment costs **as a part of a flat rate of up to 40 % of eligible direct staff costs** used to cover the remaining eligible costs of an operation, in line with Article 56(1) of the CPR.

9.7 COSTS FOR INFRASTRUCTURE AND WORKS

Infrastructure and works covers costs related to investments in infrastructure that do not fall into the scope of other cost categories. This includes costs for site preparation, delivery, handling, installation, renovation, when applicable.

Construction shall be in **accordance with all legislative provisions** including documentation and certifications needed for the utilization i.e. must comply with the applicable national and EU rules as well as programme and visibility rules. All compulsory requirements set by the EU and national legislation related to the respective investment in infrastructure must be fulfilled (e.g. feasibility studies, environmental impact assessments, building permission, etc.).

Documents specifying the property/ ownership/ any other right under the real property law for the land and/or building/ item of infrastructure where the works will be carried out must be provided. Legally binding building permits are preconditions for contracting.

Costs for infrastructure and works shall be limited to the following:

- purchase of land in accordance with point (b) of Article 64(1) of the CPR;
- building permits;
- building material;
- labour; and
- specialised interventions (such as soil remediation, mine-clearing).

After the closure of the operation, certain requirements regarding ownership and durability of investments must be fulfilled, and specific rules apply for beneficiaries declaring costs related to productive investments and investments in infrastructure.

In line with Article 65(1) of CPR, an operation comprising investment in infrastructure or productive investment shall repay the EU contribution if, within five years of the final payment to the LP or within the period of time set out in State aid rules, where applicable, that operation is subject to any of the following:

- a cessation or transfer of a productive activity outside the NUTS 2/Programme area level which received support;
- a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
- a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

9.7.1 AUDIT TRAIL FOR COSTS FOR INFRASTRUCTURE AND WORKS

- Evidence of the procurement process (announcement, selection, award) in line with the applicable procurement rules, depending on the estimated amount of purchase;
- Contract laying down the works/infrastructure to be provided, with clear reference to the project and the programme;
- Invoice providing all relevant information in line with the applicable accountancy rules;
- All documents related to the works carried out such as: Building permits, Notice of the commencement of works, Introduction of the constructor to the site, Construction log book and diary;
- Proofs of payment (Interim and Final payments certificates);
- Provisional and/or final Acceptance procedure as well as relevant certificates issued by Supervising Engineer;
 - All additional documents required by the national law such as location and building permits, technical acceptance, Inspection acceptance certificate etc.

For expenditure under or equal to 2,500 Euro, the invoices and proof of payment must be presented to the controller.

9.7.2 SCO FOR INFRASTRUCTURE AND WORKS

Programmes commonly decide to reimburse Infrastructure and works costs **as a part of a flat rate of up to 40 % of eligible direct staff costs** used to cover the remaining eligible costs of an operation, in line with Article 56(1) of the CPR.

10. PUBLIC PROCUREMENT

Where the implementation of a project requires procurement of service, supply or works contracts by a beneficiary, the following rules shall apply:

RELEVANT FOR SERBIAN BENEFICIARIES

Annex II of the FA

- Provisions of Article 58(2)²⁴ Interreg Regulation i.e. relevant provisions of the Financial Regulation are consolidated in a user-friendly **Annex II of the Financing agreement(s)** Serbia has concluded for the purpose of setting out conditions of financing and implementing Interreg programmes under shared management.
- **Where the implementation of an operation requires procurement of service, supply or works contracts by a beneficiary from Serbia, the procurement procedures set out in Annex II shall apply.**

RELEVANT FOR MS BENEFICIARIES

Article 58(1a) Interreg Regulation

Where the beneficiary is located in a MS and is a contracting authority or a contracting entity within the meaning of the Union law applicable to public procurement procedures, it shall apply national laws, regulations and administrative provisions.

The application of external public procurement rules is one of the most challenging issues currently faced by ETC programmes. With this in mind, different programmes provide different additional guidance and/or procurement templates and controllers should pay special attention to these sections in programme documents²⁵.

Technical assistance will be reimbursed as a flat rate of eligible expenditure included in each payment application to the EC, without being its own priority axis. In this sense no management verifications / controls will be performed i.e. no documents provided to controllers.

Public procurement covers purchase of services, supplies and works financed from the project budget with the aim of implementation of the project activities.

²⁴ For the award of goods, works or services in all cases other than those referred to in paragraph 1 of this Article, the procurement procedures provided for in Articles 178 and 179 of the Financial Regulation and points 36 to 41 of Chapter 3 (Procurement in the field of external actions) of Annex I to that Regulation shall apply.

²⁵ E.g., ADRION even makes provisions for this in the FA itself: "Additional details on the applicable procurement procedures for project beneficiaries from IPA countries may be further specified in the Implementation Manual which shall be adopted by the Programme for the related CFP."

In national legislation under Article 11, point 2 of the Public Procurement Law application of other than national procurement rules is regulated. In line with this it is allowed to proceed in accordance with the regulations mentioned above.

The procurement process itself is considered to cover activities from the planning stage until performance of the contract has been completed. **The procurement process consists of the following main stages:**

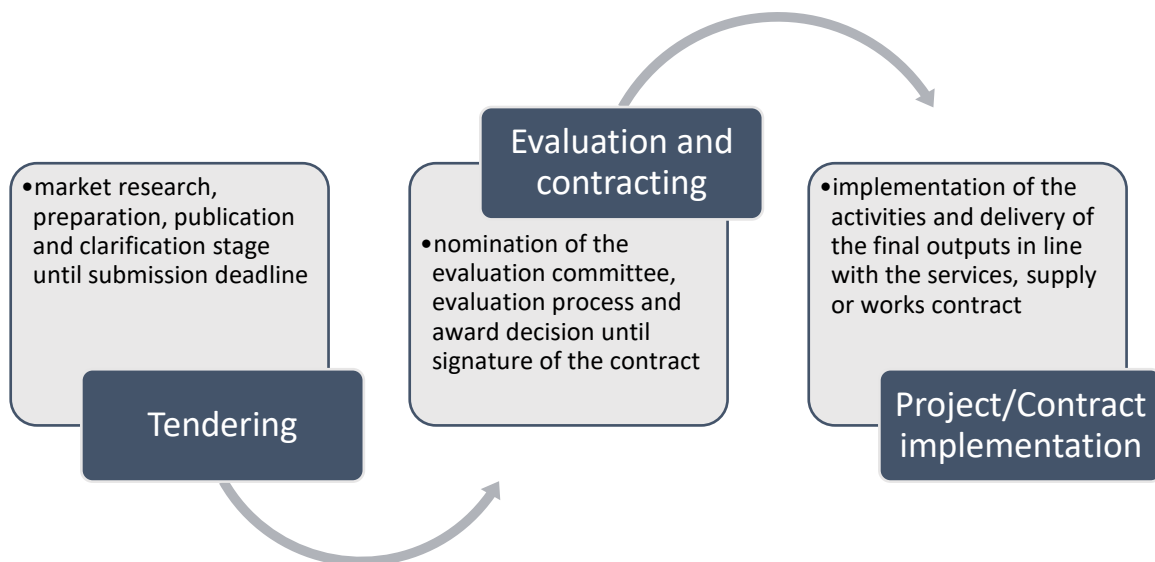


Figure 18 Main stages of procurement

General principles applied to procurement

All contracts awards must be carried out respecting the **principles of transparency, proportionality, equal treatment and non-discrimination.**

Transparency translates to ensuring, for the benefit of any potential tenderer, a degree of advertising sufficient to enable the market to be opened to competition.

Proportionality in public procurement ensures that all requirements imposed by a contracting authority are proportionate to the object and scope of the procurement contract.

Equal treatment and non-discrimination means that all interested parties should be treated the same, i.e. all tenderers must be afforded equal opportunities when formulating their tenders, which therefore implies that the tenders of all competitors must be subject to the same conditions.

The basic idea behind **competition** is that it leads to reasonable price, quality and is good for the economy. Procurement should be carried out by competition, unless there are justified reasons to the contrary. This obligation means that the estimated value of a contract may not be established in such a way as to avoid the competitive tendering procedure or to circumvent the rules which apply to certain procurement procedures or above a certain threshold, nor may a contract be split for that purpose.

A **conflict of interest** exists where the impartial and objective exercise of the functions of a financial actor or other person, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest.²⁶

Rules of nationality state that experts and other persons employed or legally contracted by PPs may be of any nationality.

There are no restrictions regarding the **rules of origin**, all goods financed under all ETC Programmes can originate from any country, irrespective of any thresholds.

Fundamental to the above is the following:

- Advertising invitations to tender/contract notices to competition on the broadest possible basis.
- Equal treatment of all tenderers.
- Use of the relevant procurement procedure defined on programme level.
- Application of clear and objective criteria, notified to all interested parties, in selecting tenderers and awarding contracts.
- Use of non-discriminatory Terms of Reference or Technical Specifications.
- Allowing sufficient time for submission of expressions of interest or tenders.
- The evaluation procedure should be conducted in the efficient manner having in mind the tender validity period, it should be properly documented and conducted in accordance with the relevant procedures.

In case there is a decision to implement procurement procedures, especially in the case of single tenders or engagement of staff, the national procurement regulations must be respected.

Overview of financial thresholds and procurement procedures

| Procedure Contract | Open or restricted procedure | Local open procedure | Simplified procedure | Single tender procedure | Payment against invoice |
|-----------------------|------------------------------|-----------------------------------|--------------------------------|-------------------------|-------------------------|
| SERVICE CONTRACTS | ≥ 300 000 EUR | not applicable | < 300 000 EUR but > 20 000 EUR | ≤ 20 000 EUR | ≤ 2 500 EUR |
| SUPPLY CONTRACTS | ≥ 300 000 EUR | < 300 000 EUR but ≥ 100 000 EUR | < 100 000 EUR but > 20 000 EUR | ≤ 20 000 EUR | ≤ 2 500 EUR |
| WORKS CONTRACTS | ≥ 5 000 000 EUR | < 5 000 000 EUR but ≥ 300 000 EUR | < 300 000 EUR but > 20 000 EUR | ≤ 20 000 EUR | ≤ 2 500 EUR |

Table 12 Financial thresholds and procurement procedures Annex II FA

²⁶ As defined in Financial Regulation (EU) 2018/1046, Article 61(3)

Apart from procurements not exceeding 2,500 EUR (where payment may be simply made against an invoice), **the following documentation has to be submitted to the controller, regardless of the type of procedure:**

- Procurement plan (if mandatory on programme level),
- Market research (if mandatory on programme level / if applicable for contract type/value),
- Complete Tender dossier,
- All received offers/bids,
- In case of cancellation, Cancellation notice,
- All relevant correspondence,
- Evaluation report and award decision.
- Contract

Documentation related to the contract implementation that must be provided to the controller depends on the type of contract and project activities undertaken which is further described in the sections related to external services, supply and works.

10.1 TENDER PROCEDURE WALK-THROUGH

For purpose of facilitating the work of controllers when verifying expenditures subjected to procurement procedures, a summarized table of procurement steps vs. documents to be checked is presented in Tender procedure walk-through bellow.



Figure 19 Beneficiary's tender procedure

TENDER PROCESS – BENEFICIARY

1. PROCUREMENT PLANNING

PROCUREMENT PLANNING

A. Defining the needs

B. Estimating the budget and source(s) of financing

C. Identifying the regulatory framework

D. Choice of tender procedure

WHAT TO CHECK - CONTROLLERS

Subject of tender corresponds to the project as approved

Budget limits have been observed, other limitations were respected (max. % from other or total costs – if applicable)

Legal and other preconditions are fulfilled – e.g. procurement rules, other related to subject of tender – permits, licenses, ownership, etc.

The procedure was chosen correctly according to type and threshold. There is no artificial splitting.

WHERE TO LOOK FOR - DOCUMENTS

Application Form as part of contract, Modifications of contract, Technical report, Procurement plan

Contract, Modifications of contract

EU, national legislation, programme documents, CfP documents, manuals, guidelines and instructions

Application Form as part of contract, Modifications of contract, Technical report, Procurement plan, Tender Dossier

2. PREPARATION OF TENDER DOCUMENTS

PREPARATION OF TENDER DOCUMENTS

A. Specifications and Requirements (ToR, TS)

B. Formal submission requirements – standard templates, deadline, language, copies, packaging, etc.

C. Eligibility criteria – grounds for exclusion

D. Selection Criteria – technical, financial, etc. capacity of Tenderer

E. Award criteria – lowest price, lowest cost or best price-quality ratio

WHAT TO CHECK - CONTROLLERS

Non-discrimination

Equal treatment, non-discrimination, fair competition principles observed

Equal treatment, non-discrimination, fair competition principles observed

Equal treatment, non-discrimination, fair competition principles observed

Equal treatment, non-discrimination, fair competition principles observed

WHERE TO LOOK FOR - DOCUMENTS

Tender dossier, addenda, clarifications

Tender dossier, addenda, clarifications

Tender dossier, addenda, clarifications

Tender dossier, addenda, clarifications

Tender dossier, addenda, clarifications

3. LAUNCH OF TENDER

LAUNCH OF TENDER

A. Decision to launch the tender and nomination of Evaluation Committee (see also 5.A.)

B. Publication of Procurement Notice//Invitations

WHAT TO CHECK - CONTROLLERS

The launch of the procedure was formalized - if required, timing corresponds to the schedule of activities

Tender was properly advertised or the required number of participants were invited in accordance with the procedure

WHERE TO LOOK FOR - DOCUMENTS

Decision, Application Form, Technical report, Procurement plan (if applicable)

Procurement notice/invitations (including proof of receipt)

4. SUBMISSION AND RECEIPT OF BIDS

SUBMISSION AND RECEIPT OF BIDS

A. Period for preparation of offers

B. Additional information during the preparation of bids

C. Deadline for submission of bids

WHAT TO CHECK - CONTROLLERS

The required minimum periods for preparation of offers by the tenderers were respected

Additional information was provided to all (potential) tenderers and within the time set by the procedure. There is no illegal modification of the tender conditions, Deadlines were observed

Tenders submitted before the deadline and according to requirements were accepted, late tenders were rejected

WHERE TO LOOK FOR - DOCUMENTS

Publication/Invitations to tender, register of received offers

Requests for clarification and replies

Publication/Invitations to tender, register of received offers

5. TENDER EVALUATION

TENDER EVALUATION

A. Evaluation Committee

B. Tender Opening and formal submission requirements check

C. Independence of tenderers

D. Clarification of Tenders

E. Administrative compliance check

F. Evaluation of technical and financial offers

G. Compliance with the market price and Application Form (budget)

H. Conclusions of the Evaluation Committee and Evaluation Report

WHAT TO CHECK - CONTROLLERS

Evaluation Committee was appointed with the necessary composition and competence.

Requirements for impartiality and confidentiality were observed (no conflict of interest), public opening – if applicable

Check of the Tenderers, Subcontractors, External managers, Consultants, Owners, Officials, Legal representatives etc.

Requested clarifications were sent to all tenderers. Clarifications do not amend tender conditions

Eligibility and selection criteria were observed

Award criteria were observed

The offered price is not significantly low or high, in comparison with the average market price

Procedure was carried out in a transparent way

WHERE TO LOOK FOR - DOCUMENTS

Order for nomination of the EvC, CVs – if appropriate, Declarations for impartiality and confidentiality

Tender Opening Report, Evaluation report

Legal registration, Web sites, Unusual coincidence and/or identical errors in offers, Contracts with third parties, Results of the work

Requests for clarification and replies

Evaluation Report

Evaluation Report

Publication of tender, Submitted offers, References, Internet, Results of the work , Application Form, etc.

Evaluation Report

6. CONTRACTING

CONTRACTING

A. Standstill period before signature of the contract

B. Contract with successful tenderer

WHAT TO CHECK - CONTROLLERS

Standstill period had a duration of 10 days when using electronic means of communication and 15 days when using the other means

Contract was concluded with the successful tenderer. Required proof was submitted. No modification of contract condition was made

WHERE TO LOOK FOR - DOCUMENTS

Contract award notice (if applicable), Letter to successful tenderer, Contract, proof for eligibility

10.2 APPLICATION OF FINANCIAL CORRECTIONS BY CONTROLLERS

Controllers may apply financial corrections related to public procurement procedures according to COMMISSION DECISION C(2019) 3452 of 14.05.2019. and its Annex Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement, [https://ec.europa.eu/transparency/documents-register/detail?ref=C\(2019\)3452&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=C(2019)3452&lang=en).

When a controller detects non-compliance with the rules on public procurement, he/she may use the mentioned Guidelines and apply financial correction. Decision about financial correction has to be properly explained and justified in the Control Certificate and relevant annexes.

Percentage of the financial corrections is determined for the contracted amount and applied by the controller whenever expenditure regarding contract concerned has been reported.

Financial correction determined for each specific case should be recorded in Register of financial corrections (Annex 7).

11. VISIBILITY

Visibility obligations for ETC programmes are defined under CHAPTER III Visibility, transparency and communication and Annex IX of CPR and Article 36 of Interreg Regulation on responsibilities of managing authorities and partners with regard to transparency and communication.

Main points a controller needs to verify are listed under Article 36(4): “Each partner of an Interreg project shall acknowledge support by:

- (a) providing on the partner’s official website or social media sites, where such sites exist, a short description of the Interreg operation, proportionate to the level of support provided by an Interreg fund, including its aims and results, and highlighting the financial support from the Interreg fund;
- (b) providing a statement highlighting the support from an Interreg fund in a visible manner on documents and communication material relating to the implementation of the Interreg operation, intended for the general public or for participants;
- (c) displaying durable plaques or billboards clearly visible to the public, presenting the emblem of the Union in accordance with the technical characteristics laid down in Annex IX of the CPR, as soon as the physical implementation of an Interreg operation involving physical investment or the purchase of equipment starts or purchased equipment is installed, with regard to operations supported by an Interreg fund, the total cost of which exceeds EUR 100 000;
- (d) for Interreg operations not falling under point c, publicly displaying at least one poster of a minimum size A3 or equivalent electronic display with information about the Interreg operation highlighting the support from an Interreg fund, except where the beneficiary is a natural person;

- (e) for operations of strategic importance and operations whose total cost exceed EUR 5 000 000 organising a communication event and involving the Commission and the responsible managing authority in a timely manner.

The term 'Interreg' shall be used next to the emblem of the Union in accordance with Article 47 of the CPR."

In practice this means that controllers have to verify the following:

- In all official communication of the project and on all project deliverables (e.g. any notice, publication, website, project events, conferences, seminars, project brochures, studies and equipment etc.) it must be **clearly specified and expressed by the Project Partner** that the project has received funding from the EU, within the framework of the respective ETC programmes;
- The **EU logo** and the **Programme logo** must be properly displayed (according to any published Programme Guidelines for visibility);
- Large infrastructure or construction activities must use **billboard** during construction and a **permanent explanatory plaque** has to be set up on the premises of the construction.

Information and publicity requirements specified for the respective Programme are described in details in the programme documents, manuals and guidelines published on the Programmes' Web-pages. These requirements are also specified in the Subsidy Contract concluded between MA and the LP. As provided for in Article 36(6) of IR, in case visibility rules and requirements are not applied properly, the MA shall apply measures, taking into account the principle of proportionality, by cancelling up to 2% of the EU support to the beneficiary concerned who does not comply with its obligations falling under Article 47 of CPR or paragraphs 4 and 5 of Article 36 of Interreg Regulation.

12. ACCOUNTING

The responsibility for keeping the accounting records and preparing the financial reports lies with the PPs. Project partners are obliged to use an accounting system that provides accurate, complete and reliable information in a timely and regular manner clearly distinguishing costs accepted and payments made. Records should be identifiable and verifiable. Accounting documents must be properly prepared, and contain data in accordance with the Programme and national rules.


In order to ensure the proper follow up and control, PPs/ budgetary users in accordance to the national legislation have to maintain either a separate account or an adequate accounting codification (sub accounts) for all transactions relating to the project, namely:

- Budgetary users keep their accounting against the sources of financing;
- Indirect budgetary users e.g. municipalities maintain their accounting through activities shown in their yearly financial plans. Their analytical accounts are listed by activities related to the project.

The costs reported have to be presented in the currency they have occurred. The date of payment is the date of the bank statement and the proof of payment is the foreign currency statement. Direct budgetary users for project staff costs don't have the obligation to keep analytical accounts for the project purposes.

Eligible costs are costs actually incurred = **real costs** and should be identifiable, verifiable and documented (e.g. contract, invoice, order form etc.), in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices of the beneficiary. Therefore, it represents indispensable part of the audit trail that provides evidence of the expenditure claimed and enables tracing the financial data to its source i.e. provides clear description of the accounting evidence, related to the specific budget lines. It is a sequence of information/systems that provides detailed information about expenditure actually incurred. Such records show the date of creation, the amount of each item of expenditure, the nature of the supporting documents and the date and method of payment.

Therefore, it is important for the Controller to be familiarized and competent in international and national accounting standards and accountancy in general.

| | |
|--|--|
|  | <p>Accounting records (extract from a reliable accounting system of the beneficiary) should be a part of audit trail documentation for all real cost options.</p> |
|--|--|

13. COMPLAINTS ON CONTROLLER'S WORK

In accordance with Article 69 of CPR MSs are obliged to make arrangements to ensure the effective examination of complaints concerning the Funds.

In case that the beneficiaries have complaints related to decision on ineligible expenditures of the Control Body in Serbia (Control Certificate), they can submit it within 10 working days from the date of the receipt of the Control Certificate.

Each complaint should contain:

1. name of the program, acronym of the project and the number of the reporting period to which complaint refers to,
2. a detailed description of the reason for the complaint,
3. accompanying documentation proving the validity of the complaint (if applicable),
4. signature of an authorized person of the partner.

The complaint is submitted to the NA in Serbia. After receiving the complaint, The Appeals Commission within the NA will consider complaints received from the beneficiaries of ETC programmes, from the territory of the Republic of Serbia related to the Control Certificates issued by the Control Body.

After analysing the documentation regarding the complaint to the Control Certificate, NA will bring Decision and provide the beneficiary with its opinion and reasoning. Decision on the complaint will be dispatched to the MA, the beneficiary and the controller. The controller responsible for the case will act in accordance with the NA's decision. In case the NA decision requires corrective measures from the controller, the new certificate will be issued and sent to the beneficiary. In case the NA's decision is in line with the certificate related to the complaint, additional actions from the controller are not required.

14. IRREGULARITIES

14.1 INTRODUCTION

This chapter sets out the procedures to be ensured and followed by the Control Body ETC Programmes under shared management with regard to the treatment of suspected and confirmed irregularities under those same programmes. They shall apply to each such programme until final and formal closure by the European Commission (EC).²⁷

The responsibility for preparation, formal issuing, review and revision of these procedures rests with the CB; as a result, they are binding on all CB involved in performing the control functions.

The procedures:

- Are effective as of **1)** the adoption of the Government Decree (by the Government), and **2)** their subsequent adoption and issuing by the Minister; in the case of delays with regard to steps 1) or 2), provisions contained in the procedures will be followed on the basis that they constitute guidance (rather than on the grounds that they are legally binding);
- Shall be subject to annual review as a part of CB Manual's annual review (by 31 August) by the Irregularity Officer appointed by the Minister,²⁸ with revised modalities being copied or sent upon request to relevant Serbian and EU Member State (MS) bodies (e.g. the Serbian NA²⁹ the Serbian Anti-Fraud Coordination Service (AFCOS),³⁰ Managing Authorities (MAs), Audit Authorities (AAs); The rules for distribution of new versions of the CB Manual will apply to this document as well³¹.
- Replace any related provisions laid down previously by the CB.

Serbia participates in 6 programmes under IPA II³² and 9 programmes under INTERREG IPA; involving MSs and are therefore implemented under shared management.

As a participating country in the aforementioned programmes, Serbia has to ensure that its legal obligations with regard to detecting, correcting and reporting irregularities are fulfilled. The majority of such obligations are to be found in EU legislation which is transposed into national law via agreements concluded between the EC and Serbia. Mandatory working level modalities are laid down as follows:

- For IPA II in Commission Delegated Regulation (EU) **2015/1970** and Commission Implementing Regulation (EU) **2015/1974**, both of which are prefigured in Article

²⁷ CBC/TNC programmes funded under IPA II shall close from 2025 onwards, INTERREG IPA CBC/TNC/IR programmes from 2029 onwards.

²⁸ Ad hoc reviews may also be conducted if necessary or appropriate (e.g. in the light of institutional changes or amendments to programme level procedures).

²⁹ the entity responsible for ensuring the Control Body function for Serbian grant beneficiaries). On the grounds that it is more readily understood, the (informal) term "CB" is used to denote the "Control Body" in this document.

³⁰ The obligatory establishment of AFCOS is laid down in the IPA II and IPA III Framework Agreements (Article 50(2) in both agreements). The role of AFCOS in Serbia is performed by a specifically established Division within the Ministry of Finance.

³¹ See NA Manual page 5

³² IPA II from the EU budgetary years 2014-2020.

122(2) of Regulation (EU) 1303/2013 (the Common Provisions Regulation applicable to 2014-2020 European Structural and Investment Funds),³³

- For IPA INTERREG in CPR Regulation (EU) 2021/1060 and in particular Annex XII ***Detailed rules and template for the reporting of irregularities – Article 69(2) and (12)*** and ETC Regulation (EU) 2021/1059.

The provisions of IPA II have been substantially kept for INTERREG IPA. In addition, it is noted that the electronic Irregularity Management System established and maintained by the OLAF³⁴ (and to be used when reporting to it) should guarantee that system users are prompted for any information required under IPA II but not IPA III (INTERREG IPA) (and vice versa).

14.2 DEFINITIONS

For the purposes of these procedures, the definitions of terms related to the irregularity portfolio³⁵ shall be the same as those indicated in Article 51(5) of the IPA II and IPA III Framework Agreement.³⁶ Of particular importance are the terms “irregularity”, “fraud”³⁷ and “primary administrative or judicial finding”, which are defined as follows:

- **“Irregularity** means any infringement of a provision of applicable rules and contracts resulting from an act or an omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the Union by charging an unjustified item of expenditure to the general budget”;
- **“systemic irregularity”** means any irregularity, which may be of a recurring nature, with a high probability of occurrence in similar types of operations, which results from a serious deficiency, including a failure to establish appropriate procedures in accordance with this Regulation and the Fund-specific rules;
- **“Fraud** means any intentional act or omission relating to: the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the Union or budgets managed by, or on behalf of, the European Union, non-disclosure of information in violation of a specific obligation with the same effect or the misapplication of such funds for purposes other than those for which they were originally granted”;
- **“Primary administrative or judicial finding** means a first written assessment by a competent authority, either administrative or judicial, concluding on the basis of specific facts that an irregularity has been committed, without prejudice to the

³³ Articles 71 to 73 of General Conditions of Financing Agreements for IPA II CBC/TNC programmes under shared management transpose relevant text from the Common Provisions Regulation (particularly Article 122(2)), and refer directly to Regulations 2015/1970 and 2015/1974. Article 51 of the IPA II Framework Agreement does not apply in this case, since it only concerns programmes under indirect management.


³⁴ The French acronym for the European Anti-Fraud Office, which is part of the EC.

³⁵ i.e. “errors”, “irregularity”, “economic operator”, “systemic irregularity”, “fraud”, “suspected fraud”, “active corruption”, “passive corruption”, “conflict of interests”, “primary administrative or judicial finding”

³⁶ The definitions laid down in the IPA II (and IPA III) Framework Agreement are the same as those applicable to 2014-2020 and 2021 – 2027 European Structural and Investment Funds.

³⁷ Which is a subset of irregularities – i.e. all cases of fraud constitute irregularities, but most irregularities do not constitute fraud.

possibility that this conclusion may subsequently have to be revised or withdrawn as a result of developments in the course of the administrative or judicial procedure”.

| | |
|---|--|
|  | <p>Fraud is a crime, and therefore a given action can only be qualified as fraud by a court. Before the court delivers a ruling, the action must be considered a suspicion and all parties must observe the rules for confidentiality of information.</p> |
|---|--|

The **detection of irregularity or suspected fraud** can occur as a result of:

- monitoring visits,
- notification by grant recipients,
- detailed checking of progress reports,
- management verification visits,
- whistleblowing;
- local knowledge (press/members of the public), and
- National and EU audit reviews.

Common general types of **irregularities related to procurement/sub-contracting** at project level (the list is not exhaustive) may be:

- Application of the wrong/lesser procedure,
- Non-compliance with the formats required by the procedure,
- Artificial division of envisaged works/supplies/services in order to use the lesser procedure,
- Non-compliance with the requirement of an adequate degree of advertising and transparency,
- Presence of conflict of interest between / breach of ethics clauses by Contracting Party and Tenderer/Contractor,
- Breach of the principle of equal treatment,
- Failure to state all the selection and contract award criteria in the tender documents or tender notice,
- Application of unlawful/discriminatory contract award criteria,
- Unlawful selection and/or contract award criteria laid down in the tender procedure,
- Insufficient or discriminatory definition of the subject-matter of the contract,
- Reduction of the scope of the contract without reduction of the budget,
- Attribution of contracts or additional works and services without competition in the absence of extreme urgency brought about by unforeseeable events.

However, the concept of irregularity covers a wider range of issues rather than just strictly procurement issues. Therefore, common general types of **irregularities at project level** (the list is not exhaustive) may be:

- Ineligible costs,
- Inflated project costs,
- Activities already funded from other sources,
- Non-compliance with the publicity rules or archiving rules,
- Incorrectly calculated overheads/staff salaries,
- Administrative errors,
- Failure to maintain records,
- Breach of the terms and conditions of the Subsidy Contract,
- Failure to respect deadlines,
- Lack of supporting documents to support expenditure,
- Retention/withholding of documents,
- False claim/false supporting documents e.g. failure to provide adequate and correct information in the Progress Reports.

Detected irregularities will imply follow-up actions by Programme and national authorities, e.g. withdrawal or reduction of the subsidy or recovery of the granted funds. For ETC Programmes the detecting, establishing and reporting of irregularities to the respective MAs and European Commission is the obligation of the Participating Countries hosting the Project Partners and managed on national level. It means that the irregularity procedure will be conducted by that responsible organisation of the Participating Country, on whose territory the Project Partner concerned is located.

All Control Body staff (whether they are full time, part time, temporary and irrespective of contractual status) are obliged to:

1. Confirm their understanding of concepts and procedures related to irregularities, meaning that they shall be made aware of their duties with regard to detecting, recording, registering and reporting irregularity, as well as their rights to be protected for whistleblowing or reporting on irregularities.
2. Report as signals of irregularities every case which they consider (or suspect) to fall within the definition of irregularity, but without enough evidence or any written assessment done.
3. Sign a Statement of Awareness (see Annex 2)

14.3 ACTORS INVOLVED IN THE MANAGEMENT OF IRREGULARITIES

IRREGULARITY OFFICER AND IRREGULARITY EXPERT (DEPUTY IRREGULARITY OFFICER)

The MEI appoints an **Irregularity Officer** (herein after IO) to be responsible for the NA's irregularity portfolio. Tasks include ensuring:

- receiving information on suspected irregularities;
- convening and managing the work of the Irregularities Commission (see below),
- Liaising with and requesting clarifications from Serbian LPs and PPs,
- Monitoring follow-up actions and informing relevant parties (e.g. MAs),
- Reporting on irregularities to the EC,
- Maintaining a register of irregularities,
- Filing all relevant correspondence,
- Communicating with relevant bodies,
- Proposing changes to these procedures, as appropriate,

While fulfilling his/her duties, the Irregularity Officer treats all information/documentation as confidential and ensures that only authorised personnel have access to it.

In addition, MEI's systematisation prescribes the post of an **Irregularity Expert – Position for Administration and reporting of irregularities for programmes with EU members** performing duties of Deputy Irregularity Office; the existence of this position, however, does not relieve the Irregularity Officer of any of his/her responsibilities, and s/he must therefore ensure appropriate supervision.

MEI is responsible for ensuring up-to-date **written nominations** appointing a specific member of staff to the position of Irregularity Officer.

14.4 IRREGULARITIES COMMISSION

Minister forms irregularity commission established for considering irregularities (hereinafter "Irregularities Commission"). The composition of the Irregularities Commission is determined in the Decision on establishment of the irregularity commission which cannot include employees which perform duties of the control of the specific operations/projects in question according to the job description from the systematization. The Decision states that the Irregularities Commission is composed by three voting members and a secretary, while the one of the voting members can simultaneously perform the duties of the Secretary (IO/deputy IO) if that is defined in the above mentioned Decision. The role of the Secretary will perform IO or deputy IO. MEI prepares and adopts the Rulebook for the work of the Commission. The controller that sent the signal or an expert observer for the particular field can be invited to the meeting. For duties to be performed by the Commission in relation to irregularities, see below.

14.4.1 THE PROCEDURE FOR TREATING SUSPECTED AND CONFIRMED IRREGULARITIES

The primary sources of information on suspected irregularities will be bodies involved in programme management (i.e. Controllers, Joint Secretariats (JSs), MAs, Certifying Authorities (CAs) or body entrusted by the accounting function and AAs);³⁸ it is also possible that the CB may be alerted to possible irregularities by LPs or PPs themselves, individuals working on projects financed under Serbian IPA II CBC/TNC or INTERREG IPA CBC/TNC/IRC programmes under shared management, the general public or anonymously; the possibility to report suspected irregularities directly to the Irregularity Officer exists. The information on irregularities, fraud and other relevant details can be found at the website <http://www.evropa.gov.rs/CBC/PublicSite/Irregularities.aspx>, along with an e-mail to which information can be sent.

When facing potential irregularities (detecting irregularity - wrongly reimbursed sum or suspicion of fraud) controllers shall follow the internal procedure as follows:

| Steps | Action | Person responsible | Timing ³⁹ | Audit trail |
|-------|---|--------------------|----------------------|--|
| 1. | Detecting irregularity (<i>wrongly reimbursed sum or suspicion of fraud</i>) | Controller | Upon detection | Detection date field in Irregularity Notification Form (in Annex 8) |
| 2. | Compiling of evidence | Controller | 3 wd | Control Report, Supporting documents in paper and/or electronic copy |
| 3. | Notification of Head of Unit | Controller | 1 wd | E-mail and/or memo |
| 4. | Decision for collection of additional information or on-the-spot check, if no – skip to Step 6 | Head of the CB | Same day | E-mail or memo, travel authorization |
| 5. | Collection of additional information or on-the-spot check | Controller | 5 wd | Control Report, Supporting documents in paper and/or electronic copy, On-the spot report |

³⁸ Modalities for reporting irregularities for these bodies are indicated in the Description of the Management and Control System or in their own manuals, including for Serbian Control Body. In many cases, however, it does not appear that specific provisions are laid down for programme level bodies (i.e. MA, CA (only 2014 – 2020), AA, JS) to automatically report suspected irregularities committed by Serbian LPs or PPs to the NA; the NA is therefore not in a position to guarantee that all cases will be automatically referred to it.

³⁹ Number of working days is only indicative.

| Steps | Action | Person responsible | Timing ³⁹ | Audit trail |
|-------|---|---|----------------------|--|
| 6. | Compile and transmit notification and evidence to Irregularity Officer | Controller, Head of the CB | 1 wd | Irregularity Notification Form (in Appendix 6), Paper and/or electronic copy of evidence |
| 7. | Inform the PP of the suspected irregularity and that it will be investigated | Irregularity Officer/ Irregularity Expert | Same day | E-mail and/or official communication |
| 8. | Store notification and supporting documents in Irregularities file (for at least 5 years) | Irregularity Officer/ Irregularity Expert | 1 wd | Irregularity Notification Form (in Annex 8), Electronic and/or paper copy (if necessary) of evidence |
| 9. | Provide support to establishing irregularity | Head of the CB | Upon request from IO | E-mail, correspondence |

Table 13 internal procedure

Note: If an irregularity is detected involving the programme management bodies, depending on the level of involvement, the controller may decide to directly notify the National Authority, the respective Managing Authority or EU/OLAF.

Any information and/or documentation received concerning a suspected irregularity is automatically transferred to the IO.

If a case concerns a Serbian LP or PP, the Irregularity Officer

1. opens a file;
2. files all evidence received and prints any electronic documents, if necessary;
3. updates the register of irregularities (see Annex 9), and
4. commences a check into the suspected irregularity (see below).

If a case concerns an LP or PP located a country other than Serbia, the IO shall forward it to the MA for the relevant programme by e-mail.

If the IO receives information on suspicion on infringement of the public procurement or visibility rules or any other issue that would lead to a financial correction before the completion of the management verification, this information will not be treated as a signal on irregularity. The IO will forward the information to the Controller therefore securing that the information will be taken into consideration should the related costs reach the controller responsible for management verifications. The Controller will declare these costs as eligible or ineligible. In any case, the Controller may submit the signal on suspected irregularity to the IO and thus launch the irregularity procedure.

14.4.2 CHECKING THE SIGNAL (TASKS OF IRREGULARITIES COMMISSION)

After information on a suspected irregularity has been received by the IO (and steps 1 to 3 above have been taken), s/he starts up a check in order to prepare the relevant documentation that will be examined by the Irregularity Commission; the check is conducted as follows:

1. The IO gathers information aimed at clarifying/establishing the facts in question. This may necessitate liaising with relevant parties (e.g. LPs, PPs, Controller, companies/individuals invited to tender by a Serbian LP or PP). Modalities for information gathering include, inter alia, telephone, e-mail and, if deemed necessary or appropriate, on-site visits; since there shall always be a written record of information gathered, official written communication and e-mail should be the primary mode of communication, while, in the case of telephone conversations and on-site visits, reports or notes to the file shall be drafted as soon as possible. The information gathering shall be just focused on collecting relevant elements for the Irregularity Commission and shall not be considered in any way a form of pre-assessment;
2. Meetings of the Commission are convened by sending out invitations (including to any observers) but can also be held via email, phone or any online platform. The Irregularity Commission receives the invitation together with the relevant documentation in advance in line with the adopted Rule Book, reviews it and asks for further information and clarification if necessary.
3. The Irregularities Commission considers the case and shall decide by consensus whether the reported case in question is or is not an irregularity, as well as on proposed follow-up actions. Minutes (unless they form part of the report indicated in point 4 below) shall be taken by the Secretary of the Irregularities Commission and circulated to members within 1 week (also applicable in the case of meetings held via online platform). In the cases where an irregularity is confirmed, the Commission proposes the financial corrections in line with Commission Decision of 14.5.2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement.
4. For the cases of suspected fraud treated by the prosecution office or court, after the decision of the prosecution office/court is received by the Irregularity Commission the Commission may 1) conclude the procedure based on the received decision or 2) examine the residual signal of irregularity and reach the decision.
5. The Secretary of the Irregularities Commission drafts a report (meeting minutes) setting out the case, the check, the Commission's conclusion and proposed follow-up actions. Such reports (meeting minutes), approved by all members of the Irregularities Commission, and shall have attached relevant supporting documentation (e.g. records of telephone conversations and/or on-site visits, print-outs of e-mails, sworn statements obtained from LPs/PPs, minutes of meetings of the Irregularities Commission); they shall be addressed to the Person responsible for making decision on irregularities. Decision on the irregularity is taken on the national level. The person

responsible for making decision on irregularities may accept the conclusions of the Irregularity Commission as such, modify or decide otherwise. This procedure is not applicable in the cases of signal stemming from final audit reports, unless there is a different requirement. After the Final report is received, the cases are entered in the irregularity register.

Documentation/filing/access/confidentiality: the IO shall ensure that the necessary documentation is produced (e.g. reports of on-site visits, minutes of Irregularities Commission meetings), and that all communications and documents requested/produced (including those in electronic form) are properly filed, and, later, archived; s/he shall furthermore ensure that access to filed material is only granted to duly authorised personnel. All members, observers and the Secretary of the Irregularities Commission shall treat information obtained in the course of their work as confidential.

When the work processes described in this Chapter F are confined within the MEI responsibilities, the signals are resolved within three months from the receipt of the signal.

Language: all communication and documents requested/produced in the course of a signal check may be in Serbian or English, though it should be borne in mind that documentation may be sent to or examined by non-Serbian bodies (e.g. in the context of supporting Conclusions - see below).

14.4.3 DECISION ON IRREGULARITIES

The Person responsible for making decisions on irregularities receives documents on a suspected irregularity including report (meeting minutes) with the conclusions and supporting documentation and makes the decision on irregularity on the case in question.⁴⁰ The decision is then signed by the Person responsible and copied for notification to the interested parties,⁴¹ as well as AFCOS in case of suspicion of fraud; the date of passing the national level decision shall constitute the date of the “primary administrative or judicial finding” of the suspected irregularity concerned. The communication is also sent to the project beneficiary concerned by the irregularity.

If, after receipt of information, the MA decides to alter the decision taken at the national level, in line with the overall responsibility for the programme implementation towards the EC, the data on the MA decision will be entered in the register of irregularities.

⁴⁰ To this end, reports of the Irregularities Commission may be attached to NA Communication, since, once accepted, they will set out reasoning and proposed follow-up, as well as the steps taken during the investigation.

⁴¹ In line with Regulation 2015/1970 Article 3(4) and set out in point 1.3 of Section 1 of Annex XII to the Regulation (EU) 2021/1060

14.4.4 FOLLOW-UP OF CONFIRMED IRREGULARITIES AND MONITORING

The IO is responsible for initiating any follow-up actions indicated in the communication. Such actions may include administrative proceedings by a Serbian LP/PP against a member of staff or launching criminal investigations or proceedings, both of which would necessitate external communication with the LP/PP in question, AFCOS or the Public Prosecutor's Office. Where proposed follow-up actions fall under the portfolio of programme management bodies, either at programme or national level (e.g. MAs, Controller), copying the communication indicated above is deemed sufficient; measures might include recovering funds from LPs,⁴² or an MA making financial corrections to a programme.⁴³

The IO shall conduct a periodic 6 months review of pending follow-up actions indicated in the communications referenced above. In order to gather the necessary information, s/he will contact the relevant institutions (e.g. MAs, NA, CB, Serbian LPs/PPs, the police, the Public Prosecutor's Office)⁴⁴ for updates. Details will be included in the register of irregularities indicated below, while reporting shall follow the modalities set out in Section "Reporting".

14.4.5 REGISTER OF IRREGULARITIES

The IO shall maintain a register of irregularities (see Annex 9), to be updated 1) whenever a suspected irregularity is reported to the CB and 2) on a periodic basis for all irregularities included in the register. This periodic review acts as regular monitoring of the status of each irregularity, in particular with regard to the implementation of follow-up actions proposed by the CB.

14.4.6 REPORTING

REPORTING TO PROGRAMME LEVEL BODIES (MAs, CAs/ABs, AAs); informing NA and AFCOS
Reporting duties on irregularities (e.g. on follow-up actions) are covered by programme level requirements for the IO to inform the NA and MA on the management and control system within Serbia (e.g. in so-called "verification reports");⁴⁵ if relevant, such reports shall be copied to CAs⁴⁶/ABs, AAs and AFCOS.

⁴² In the case that such funds cannot be recovered by an MA from a Serbian LP (or by an LP from a Serbian PP), the amounts will have to be covered from the national budget of Serbia (in line with the European Territorial Cooperation for the programming period 2014-2020 (Regulation 1299/2013), Article 27(3) and Regulation 2021/1059, Art. 52(3) for programming period 2021 - 2027). See Section 7.3 of the "National Authority Manual for Serbian INTERREG IPA CBC, TNC and INT Programmes under Shared Management".

⁴³ As per the Common Provisions Regulation (Regulation 1303/2013), Article 143(2) and Regulation (EU) 2021/1060, article 103.

⁴⁴ And possibly AFCOS, if it secures the relevant duties with regard to criminal investigations or proceedings

⁴⁵ See Section 3.3 of the "National Authority Manual for Serbian INTERREG IPA Programmes under Shared Management".

14.4.7 REPORTING TO THE EC

Subsequent to a “primary administrative or judicial finding” confirming a suspected irregularity (see 6.3 above), the irregularity in question shall be reported to the EC by the Irregularity Officer as per the provisions outlined in Regulations 2015/1970 and 2015/1974.⁴⁷ Modalities are as follows:

- **What:** Irregularities confirmed by “primary administrative or judicial findings” shall be reported provided they **1)** concern contributions from Serbian ETC programmes under shared management exceeding 10,000 EUR and **2)** do not fall into any of the categories indicated in Regulation 1303/2013, Article 122(2), subparagraph 2.⁴⁸
- **How:** Required data will be entered in the electronic on-line Irregularity Management System established and maintained by OLAF; any guidance or instructions on the use of this system shall be followed.
- **When:** Information shall be entered into the Irregularity Management System within 2 weeks of a “primary administrative or judicial finding” confirming a suspected irregularity (thus respecting the relevant deadlines laid down in Regulation 2015/1974, Article 2).
- **Reporting currency:** All amounts shall be reported in EUR; any conversion from RSD to EUR shall follow the provisions of Regulation 2015/1974, Article 4.⁴⁹

Follow-up information on confirmed irregularities already included in the Irregularity Management System shall also be reported to the EC following the modalities set out above; new data shall be entered into the system by the IO within 2 weeks of its receipt.

For the programming period 2021 – 2027:

WHAT: the following irregularities - that concern contributions from Serbian INTERREG IPA programmes under shared management exceeding 10,000 EUR⁵⁰ - shall be reported to the Commission:

- a) Irregularities confirmed by “primary administrative or judicial findings” (i.e. irregularities that have been the subject of a first written assessment by a competent

⁴⁷ Since the provisions laid down in these Regulations (which related to IPA II) are materially identical with those contained in Regulation 1828/2006 (which relates to IPA I), the former can be applied with respect to irregularities confirmed under IPA I financed Serbian CBC/TNC programmes under shared management.

⁴⁸ i.e. “(a) cases where the irregularity consists solely of the failure to execute, in whole or in part, an operation included in the co-financed operational programme owing to the bankruptcy of the beneficiary; (b) cases brought to the attention of the managing authority or certifying authority by the beneficiary voluntarily and before detection by either authority, whether before or after the payment of the public contribution; (c) cases which are detected and corrected by the managing authority or certifying authority before inclusion of the expenditure concerned in a statement of expenditure submitted to the Commission.”

⁴⁹ In the case that the amount has been entered into the accounts of the relevant Certifying Authority (and is thus in EUR), indicate this amount (see Regulation 1303/2013, Article 33). If the amount has not been entered into the accounts of the relevant Certifying Authority but has already been converted into EUR in an LP/PP report on expenditure incurred and paid submitted to the Serbian Control Body, indicate the amounts in that report (see Regulation 1299/2013 (on European Territorial Cooperation for the programming period 2014-2020), Article 28). If neither case obtains, apply the Inforeuro exchange rate for the month in which the suspected irregularity occurred.

⁵⁰ in the case of irregularities which are interlinked and the total amount of which exceeds EUR 10 000 in contribution from the Funds, even when none of them exceeds that ceiling on its own, these shall be reported.

authority, either administrative or judicial, which has concluded on the basis of specific facts that an irregularity has been committed, regardless of the possibility that this conclusion may subsequently have to be revised or withdrawn as a result of developments in the course of the administrative or judicial procedure);

- b) irregularities that give rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of *fraud affecting the Union's financial interests*⁵¹;
- c) irregularities preceding a bankruptcy;
- d) specific irregularity or group of irregularities for which the Commission submits a written request for information.

The same irregularities of the previous programming period are exempted from reporting:

1. cases where the irregularity consists solely of the failure to execute the project, in whole or in part, owing to the non-fraudulent bankruptcy of the beneficiary;
2. cases brought to the attention of the MA or the body in charge of the accounting function by the beneficiary voluntarily and before detection by either authority, whether before or after the payment of the public contribution;
3. cases which are detected and corrected by the MA before inclusion in a payment application submitted to the Commission.

It is however worth to mention that the exemption mentioned in points 2 and 3 does not apply to irregularities described in point b).

WHEN: irregularities shall be reported within two months following the end of each quarter from their detection or as soon as additional information on the reported irregularities becomes available. However, irregularities discovered or supposed to have occurred that may have repercussions outside Serbia shall be immediately report to the Commission indicating any other Member State/ Programme Partner State concerned.

HOW: same as programming period 2014 – 2020, required data will be entered in the electronic on-line Irregularity Management System established and maintained by OLAF. Reporting shall follow the format envisaged in Section 2 of Annex XII to the Regulation (EU) 2021/1060.

⁵¹ As referred to in points (a) and (b) of Article 3(2) and Article 4(1), (2) and (3) of Directive (EU) 2017/1371 and point (a) of Article 1(1) of the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests (1) for the Member States not bound by that Directive.

15. List of Abbreviations

| ACRONYM | ENGLISH | SERBIAN |
|--------------------|---|--|
| AA | Audit Authority | Revizorsko telo |
| AC | Accounting Body | / |
| BG-SRB | Interreg VI-A IPA Bulgaria-Serbia | Interreg VI-A IPA program Bugarska – Srbija |
| CB | Control Body | Kontrolno telo |
| CBC | Cross-Border Cooperation | Prekogranična saradnja |
| CFCU | Department for Contracting and Financing of European Union Funded Programmes, Ministry of Finance, Republic of Serbia | Sektor za ugovaranje i finansiranje programa iz sredstava EU, Ministarstvo finansija, Republika Srbija |
| CfP | Call for Proposals | Poziv za podnošenje predloga |
| CPR | Regulation (EU) No 2021/1060 | / |
| DRP | (Interreg VI-B) Danube Region Programme 2021-2027 | (Interreg VI-B) Program za Dunavski region za period 2021-2027. godine |
| EC | European Commission | Evropska komisija |
| ERDF | European Regional Development Fund | Evropski fond za regionalni razvoj |
| ETC | European Territorial Cooperation | Evropska teritorijalna saradnja |
| FA | Financing Agreement | Finansijski sporazum |
| HR-SRB | Interreg VI-A IPA Programme Croatia-Serbia | Interreg VI-A IPA Hrvatska – Srbija |
| HU-SRB | Interreg VI-A IPA Hungary-Serbia | Interreg VI-A IPA program Mađarska – Srbija |
| IPA | Instrument for Pre-accession Assistance | Instrument za pretpristupnu pomoć |
| IPA ADRION | (Interreg VI-B) IPA Adriatic-Ionian Programme No. 2021TC16IPTN001 | (Interreg VI-B) IPA Jadransko-jonski program br. 2021TC16IPTN001 |
| IPA III Regulation | Regulation (EU) No 2021/1529 | / |
| IR | Interregional Programmes | / |

| | | |
|---------------|--|--|
| IE | Interreg Europe Cooperation Programme | / |
| JEMS | Joint Electronic Monitoring System | / |
| JS | Joint Secretariat | Zajednički sekretarijat |
| LP | Lead Partner | Vodeći partner |
| MA | Managing Authority | Upravljačko telo |
| MC | Monitoring Committee | Odbor za praćenje |
| MoF | Ministry of Finance, Republic of Serbia | Ministarstvo finansija, Republika Srbija |
| MoU/I | Memorandum of Understanding/Implementation | Memorandum o razumevanju/sprovođenju |
| MS | Member State of the European Union | Država članica Evropske unije |
| NA | National Authority | Nacionalno telo |
| PP | Project Partner | Projektni partner |
| RO-SRB | INTERREG IPA Romania – Serbia Programme 2021 - 2027 | Interreg IPA program Rumunija – Srbija 2021 - 2027 |
| RS | Republic of Serbia | Republika Srbija |
| MEI | Ministry of European Integration | Ministarstvo za evropske integracije |
| SCO | Simplified Cost Options | / |
| TA | Technical Assistance | Tehnička pomoć |
| TNC | Transnational cooperation Programme | Transnacionalna saradnja |
| URB | URBACT IV | URBAKT IV 2021-2027 |
| VAT | Value Added Tax | PDV |

16. Glossary of Terms

| TERM | DESCRIPTION |
|---|---|
| Managing Authority [MA] | The institution (Ministry, division within the Ministry, independent structure) in an EU Member State, which is responsible for the overall management of the Interreg IPA Cross-Border, Transnational and Interregional Cooperation Programmes with shared management. |
| National Authority [NA] | The institution responsible for the coordination of the programme management in the partner (EU member and non-EU member) state and for setting up the control system in order to validate the expenditures at national level and ensuring co-financing. For Interreg-IPA Programmes with shared management, the role of the National Authority in Serbia is ensured by the Ministry of European Integration (MEI), Department for European Territorial Cooperation Programmes ETC. |
| Joint Secretariat [JS] / JS Antennae (JSA) | A structure assisting the Managing Authority, the Monitoring Committee, and, when necessary, the Audit Authority and the Body performing accounting function related to the discharge of their duties regarding the implementation of the Programme. The JS is in charge with the day-to-day implementation of the Programme and acts as a liaison between the authorities managing and implementing the programme and the beneficiaries. The headquarters of the JS for the respective ETC programmes are located in the relevant EU Member States, while 'antennae' offices are established on the Serbian territory across the respective CBC regions. |
| Controller | Officially nominated person responsible for verifying the legality and regularity of the expenditure declared by each Serbian partner participating in approved Interreg-IPA programmes. In Serbia the NC functions are implemented by a designated body Division for control of projects financed under the European territorial cooperation programmes with EU Member States. Controller" also refers to the terms "First Level Control" and "Control Body". |
| Control Certificate | The central output of the controller's work. It validates the overall correctness of the project's use of all funds (IPA and national co-financing) spent by the project partners. The Control Certificate must be independent from any conditions or added notes that limit the validity, strength or scope of the controller's declaration. By issuing the Control Certificate, the controller is verifying expenditures requested for reimbursement and declares the proper use of funds. "Control Certificate" also refers to the term "FLC Control Certificate" or any other term used by the Programme. |
| Control Report | Usually, an annex to the Control Certificate, containing the main findings and technical information related to non-verified expenditures and irregularities discovered. "Control Report" also refers to the term "FLC Control Report". |

| | |
|-----------------------------|--|
| Control Checklist | <p>This is the most commonly used instrument for performing control checks. It is a programme level document, listing the procedural steps to be undertaken (in most cases – consequently).</p> <p>After completion of each step or check, the compliance is marked with a ‘tick-mark’ [“yes”, “no” or “not applicable”]. Comments shall be provided if there is non-compliance, or appropriate action shall be recommended or taken to ensure it. Checklists’ templates try to cover most of the possible cases in a procedure and sometimes more than one procedure, therefore some of its parts might be considered not applicable for certain checks.</p> <p>Checklists, being also part of the project documentation and audit trail, should be kept by the Controllers in the respective project file.</p> <p>“Control Checklist” also refers to the term “FLC Control Checklist”.</p> |
| Audit Trail | <p>A sequence of information/documentation/systems (e.g. accounting records) that provides detailed information about expenditure actually incurred. Such documentation shows the date of creation, the amount of each item of expenditure, the nature of the supporting documents and the date and method of payment. The audit trail provides evidence of the expenditure claimed and enables tracing the financial data to its source.</p> |
| Technical Assistance | <p>Each INTERREG IPA Programme has a Technical Assistance (TA) budget that is not allocated to a specific priority axis anymore – as it was the case for the last programming period - but rather generated throughout the implementation spending performance of the Programme, to support its implementation; funds correspond to the percentage defined at the programme level, depending on the amount of IPA III or ERDF. Article 27 of the Interreg Regulation provides details on the TA flat rate percentage for different strands of Interreg programmes, as well as details on how the calculation of the TA amount should be done. Participating countries have to agree on what activities are to be financed, when they are to be performed, and which programme level or national body (e.g. MA, NA, NC) is to be responsible for which activity.</p> |
| Cost category | <p>Represents the main category of costs according to Interreg Regulation (e.g. staff costs, travel and accommodation costs, etc.). One cost category may consist of one or more budget lines (e.g. general and thematic equipment within cost category equipment).</p> <p>“Cost category” also refers to the term “budget line”.</p> |
| Direct costs | <p>Costs that can be attributed directly to the project. They are directly related to an individual activity of the partner organisation, where the link with this individual activity can be demonstrated (for instance, through direct time registration). Please be aware that the Programme considers direct costs the sum of the costs budgeted under the following cost categories (if they are not reimbursed as SCOs): staff, external expertise and services costs, equipment costs, costs for infrastructure and works.</p> |
| Eligible expenditure | <p>Expenditure that complies with all relevant EU legislation, Programme or national rules.</p> |
| Financial correction | <p>Deduction of reported expenditures due to financial error or irregularity that takes place after payment to operation has been made.</p> |
| Flat rate | <p>One of the SCOs. Specific categories of eligible costs which are clearly identified in advance are calculated by applying a percentage fixed ex-ante</p> |

| | |
|-------------------------------|--|
| | to one or several other categories of eligible costs. Flat rates involve approximations of costs and are defined based on fair, equitable and verifiable calculation methods, or they are established by the Fund-specific regulations. |
| Ineligible expenditure | Expenditure declared by the beneficiary which does not comply with the eligibility rules and which cannot be validated as eligible or expenditure validated as eligible by the NC, but which is not considered as such by the other Programme bodies (JS, MA and/or AA). |
| Lump sum | One of the SCOs. A lump sum is a total allocation of the grant (calculated ex-ante), paid to the project upon completion of pre-defined terms of agreement on activities and/or outputs. Lump sums involve approximations of costs established based on fair, equitable and verifiable calculation methods. |
| SCO | The Common Provisions regulation (CPR — Regulation 2021/1060) includes options for the European Structural and Investment funds to be reimbursed on a real cost basis (reimbursement of real costs actually incurred and paid by beneficiaries in implementing the project) but also in the form of unit costs, lump-sums, flat-rate financing (SCOs) and of financing not linked to costs based on the fulfilment of conditions or achievement of results. The amounts for the forms of grants referred to unit costs, lump-sums, flat-rate financing shall be established ex-ante through a fair, equitable and verifiable calculation method or in other possible ways as determined by the Regulation (article 53). Amounts and rates need to be a reliable proxy to real costs. SCOs are intended to significantly reduce the administrative burden of reporting and possible source of errors. The aim is to shift the focus more on outputs rather than on inputs of the project. |

List of tables

| | |
|---|----|
| Table 1 ETC criteria | 5 |
| Table 2 Allocations for Serbian ETC programmes in the 2021-2027 period | 8 |
| Table 3 Interreg programmes in which Serbian CB performs management verifications | 10 |
| Table 4 ETC management structures | 12 |
| Table 5 Programmes, deadlines and monitoring systems | 17 |
| Table 6 Body responsible for RBMV development | 25 |
| Table 7 OTSV risk assessment methodology | 30 |
| Table 8 Key procedures of the Control Body | 34 |
| Table 9 Supportive procedures depending on type of verification | 35 |
| Table 10 Different real staff costs options per programme | 49 |
| Table 11 SCO for Travel and accommodation costs | 54 |
| Table 12 Financial thresholds and procurement procedures Annex II FA | 63 |
| Table 13 internal procedure | 82 |

List of Figures

| | |
|--|----|
| Figure 1 Organigram of the Control Body in Serbia | 14 |
| Figure 2 Organizational scheme of MEI's units responsible for ETC programmes | 16 |
| Figure 3 Graphic representation of reporting and payment process | 19 |
| Figure 4 Control procedures | 21 |
| Figure 5 Management verification types..... | 24 |
| Figure 6 Flow-chart of administrative (desk-based) verifications | 27 |
| Figure 7 Audit trail related to the administrative verifications | 27 |
| Figure 8 OTSV risk assessment | 29 |
| Figure 9 Aspects of the on-the-spot verifications | 31 |
| Figure 10 Internal procedures for the on-the-spot verifications..... | 32 |
| Figure 11 Audit trail for the on-the-spot verifications | 33 |
| Figure 12 Supportive control procedures..... | 35 |
| Figure 13 Audit trail for on-the-spot verifications | 37 |
| Figure 14 Clarifications/modifications of control certificate | 38 |
| Figure 15 Internal procedure of the CB for reporting on control work | 39 |
| Figure 16 Hierarchy of eligibility rules | 40 |
| Figure 17 Interreg cost categories | 47 |
| Figure 18 Main stages of procurement | 62 |
| Figure 19 Beneficiary's tender procedure | 65 |