



Ministry of Public Works, Development and Administration

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DIRECTORATE MANAGING AUTHORITY FOR EUROPEAN TERRITORIAL COOPERATION Managing Authority for Joint Operational Programme Romania - Ukraine 2014-2020

Instruction no. 2 from 02 October 2 modified through Instruction no.3 from 3rd November 2020 laying down specific provisions for beneficiaries regarding the expenditure verification of a grant contract funded under the ENI CBC Joint Operational Programme Romania - Ukraine 2014-2020

Having regard to:

- The European Commission Programming Document for EU support to ENI Cross-Border Cooperation (2014-2020),
- Commission Implementing Regulation (EU) No 897/2014 of 18 August 2014 laying down specific provisions for the implementation of cross-border cooperation programmes financed under Regulation (EU) No 232/2014 of the European Parliament and the Council establishing a European Neighbourhood Instrument, in particular art. 32, which requires that expenditure shall be examined by an auditor or by a competent public officer being independent from the beneficiary,
- Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the European Union's instruments for financing external action,
- Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument,
- Regulation (EU, Euratom) 1046/2018 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,



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- REGULATION (EU) 2020/879 of 23 June 2020 amending Implementing Regulation (EU) No 897/2014 as regards specific provisions to align the provisions for the implementation of cross-border cooperation programmes financed under the European Neighbourhood Instrument with specific measures in response to the COVID-19 pandemic
- The provisions of Article 4.10 of the Grant Contract between the Managing Authority and the Beneficiary of a grant under the ENI CBC Joint Operational Programme Romania - Ukraine 2014-2020,
- 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, the Managing Authority issues the following instruction:

Section 1 Definitions

For the use of this Instruction and complementary to the definitions of the EU implementing Regulations (IR) no.897/2014, the following definitions shall apply:

- a) **Beneficiary (ies)** - A legal entity, partner in a project, for which a grant is awarded. It refers to all Beneficiaries of a project, including the Lead beneficiary;
- b) **Control Contact Points (CCPs)** - national bodies (Ministry of Finance of Ukraine and Ministry of Public Works, Development and Administration¹ (MPWDA) from Romania) which support the MA in the control tasks linked to project expenditure verification. In performing its tasks, the CCP from Ukraine is supported by State Audit Service of Ukraine, Audit Chamber of Ukraine, Audit Public Oversight Body of Ukraine;
- c) **Controller** - any independent auditor from the long list published by the Ministry of Finance of Ukraine, contracted by the Ukrainian Beneficiary, or national expert from MPWDA-Romania that is required to examine whether the costs and revenues declared by the beneficiary are real, accurately recorded and eligible in accordance with the contract;
- d) **Electronic Monitoring System (EMS-ENI)** - on-line system for the submission, approval, management and administration of projects;
- e) **Expenditure and revenue verification report** - the report elaborated by a controller on the expenditure and revenue verification, describing the purpose, the agreed-upon procedures and the factual findings;

¹ The function of control contact point is performed by a specialized unit within First Level Control Directorate of the MPWDA. The unit is working independently of MA, ensuring suitable segregation of functions with the management and audit levels.

- f) **Hard Projects** - Projects having an infrastructure component with a value of at least 1 million euro.
- g) **Soft Projects** - Projects that do not include an infrastructure component or their infrastructure component is of less than 1 million EUR per project
- h) **Joint Technical Secretariat (JTS)** - structure responsible for assisting the programme management bodies in carrying out their duties. The Regional Office for Cross Border Cooperation for Romanian - Ukrainian Border - Suceava, Romania is hosting the Joint Technical Secretariat for the Joint Operational Programme;
- i) **Large Infrastructure Projects (LIP)** - projects comprising a set of works, activities or services intended to fulfill an indivisible function of a precise nature pursuing clearly identified objectives of common interest for the purposes of implementing investments delivering a cross-border impact and benefits and where a budget share of at least EUR 2,5 million is allocated to acquisition of infrastructure
- j) **Lead Beneficiary** - The legal entity which signs a grant contract with the Managing Authority and assumes full legal and financial responsibility for the entire project implementation, technically and financially, according to Programme requirements and the grant contract provisions;
- k) **Managing Authority (MA)** - the authority appointed by the participating countries as responsible for managing the Programme; the Romanian Ministry of Public Works, Development and Administration is the Managing Authority for the ENI CBC Joint Operational Programme Romania - Ukraine 2014-2020;
- l) **National Authorities (NA)** - entities appointed by Ukraine and Romania, bearing the responsibility for supporting the MA in the implementation of the Programme on its own territory;
- m) **National legislation** - legislation of the state where the beneficiary is registered and located;

Section 2

General framework

1. The provisions laid down in this Instruction are **mandatory for all beneficiaries** of a grant under the ENI CBC Joint Operational Programme Romania - Ukraine 2014-2020.
2. The Instruction describes the main aspects which should be considered by both the Beneficiaries and Controllers as part of the expenditure verification process, the tasks to be performed by the Controllers, the procedure to be followed and how the results of the verification should be reported.
3. Each *Beneficiary from Ukraine* shall select a Controller, from the long - list published by the Ukrainian Control Contact Point, and sign a service contract (see Annex 1), as presented in Section 3 below.
4. The First Level Control Unit within the Ministry of Public Works, Development and Administration will carry out the expenditure verification at project level for *the Romanian beneficiaries*. Having in view that in Romania there is a centralized system

concerning the expenditure verification at project level, the Romanian beneficiaries do not need to foresee in their budget allocation for the expenditure verification or sign a contract service (details in section 3 below).

5. The verification of expenditure of a Beneficiary shall be performed by the Controller at the request of Beneficiary.
6. The Beneficiary shall make available to the Controller a copy of the Grant Contract with its annexes, the Partnership Agreement, their amendments (notifications and approved addenda) and any other relevant information;
7. In accordance with the Grant Contract provisions, the Lead Beneficiary is responsible for providing the MA/JTS with sufficient and adequate information, both financial and technical, in support of the Interim and Final reports. In this respect, the Lead beneficiary shall submit to the MA/JTS the **consolidated expenditure and revenue verification report** comprising all the factual findings from the Controllers of each beneficiary.
8. Beneficiary should present all supporting documents in original (see Annex 2 to this Instruction) at the Controller's requests, and will closely cooperate with the Controller during the verification process. The most important factor which influences the duration of verification by the Controller is the completeness and consistency of the submitted supporting documents, and the accuracy of the financial report. Therefore, the Beneficiaries shall keep adequate evidence of the supporting documents, ensuring that these are complete, correct, reliable and in an accurate order. Beneficiaries must keep in optimal conditions of archiving all the documentation of the project and must answer without delay, in maximum 5 working days, to any request of clarification or supplementary information made by the Controller during the verification process.
9. Following the verifications, the Controller shall issue **the expenditure verification report**, based on the financial reports drafted by the respective Beneficiary, and the corresponding evidence. The Controller shall verify whether the costs declared by the Beneficiary are eligible, if these are eligible according to the provision of the grant contract, as well as the revenue of the project, including the interest from the grant. **No expenditure may be claimed unless it was paid.**
10. Beneficiaries shall grant the Controllers with all access rights necessary for administrative, on the site and financial verification and also, to the Interim and Final financial reports prepared. To this end, each partner will submit to the controller in hard-copy and in electronic version (on CD/ flash drive), the financial reports and the justifying documents.
11. The beneficiary will submit to the Controller the hard-copy and the electronic version (on CD) of the Interim/Final Report as soon as these are finalized so that to allow sufficient time for verification, within the given deadline for submitting the Interim/Final reports to the MA (through JTS), by the Lead Beneficiary.
12. Each payment request submitted to MA has to be accompanied by the interim/final report prepared by the Lead beneficiary together with a consolidated expenditure and revenue verification report at project level issued by its Controller, confirming that expenditures and revenue declared meet the eligibility requirements set by the

Programme. To this end, each beneficiary shall submit to the Lead Beneficiary the individual expenditure and revenue verification report issued by their Controller, as well as the financial report and the corresponding evidence. Based on them, the Controller of the Lead Beneficiary will prepare and submit to the Lead Beneficiary the consolidated expenditure verification report and will also upload it into the EMS-ENI system, when fully operational.

13. At least once, during the project lifetime, the Controller will perform an on the spot visit at the Beneficiary location.
14. As a general rule, for all cases, until the EMS-ENI system is fully operational, the Lead Beneficiary will submit to the Programme structures the documents in original/hard copy (depending on the case) and in electronic version (CD).
15. When fully functional, the EMS ENI system will be operated according to a set of rules integrated in a guidance document that will become annex to the current Instruction.
16. Additional obligations for the Controller and the Beneficiary towards the Control Contact Point might be required by the law of the country of the beneficiary.

Section 3 Selection of the Controller

1. The beneficiary from Romania will submit the request for control to the MPWDA, by email, to the address: cpn@mlpda.ro
2. The beneficiary from Ukraine shall select the Controller from the list published on the Programme website www.ro-ua.net or the website of the Ministry of Finance Ukraine <https://mof.gov.ua/uk/ogoloshennja-pro-rezultati-konkursnogo-vidboru>
- 2.1 The Beneficiary shall conclude, following the procurement rules as foreseen by the (Art. 9) of the Grant Contract a service contract with the selected Controller, regulating at least the following mandatory requirements:
 - (a) responsibilities of the Controller (as described in the section 4),
 - (b) description of the agreed procedure,
 - (c) minimum standards and ethics,
 - (d) reporting requirements e.g. compliance with verification report forms, deadlines, etc.),
 - (e) aspects related to administrative and financial penalty or consequences on the Controller in case of low quality verification reports,
 - (f) declaration of independence of auditor (Annex 13).
- 2.2 An indicative template of service contract containing at least the minimum mandatory requirements, is presented in Annex 1.
- 2.3 Following the signature of the service contract, within 5 working days, the Beneficiary will provide to the Control Contact Point of Ukraine and the Joint Technical Secretariat the selected Controller's relevant information and the copy of the contract for the purpose, inter alia of creating the EMS-ENI account of the latter.
- 2.4 The Control Contact Point of Ukraine will review the Controller's information and, in case of the absence of such Controller from the long list, shall notify the Joint

Technical Secretariat and the Beneficiary. The Beneficiary should select a different controller in such case according to the procedure as per cl. 2.1 of Section 3.

Section 4

Main responsibilities of the Controller

Main responsibilities of all Controllers are:

- to access the EMS-ENI account by using the credentials provided by the JTS (article 14/ section 2 applies as well);
- to perform the agreed-upon procedures as specified in Section 5 below;
- to submit to the Beneficiary, the expenditure and revenue verification report with regard to the specific verification procedures performed in support of the payment requested by the beneficiary with the Interim/Final report;
- to perform verification on all expenditures and revenues (100%) and as well as the legality and regularity of the declared expenditure. Verification process shall ensure that the expenditure declared is budgeted, necessary, real, accurate, identifiable and verifiable, that the products and services have been delivered and that the expenditures comply with this Instruction, the Programme, EU and national rules. To this end, the controller shall perform on-the-spot checks at least once during the projects' lifetime and mandatory in case of hard projects and LIPs when expenditure related to the execution of infrastructure over 100,000 EUR was reported.
- to ask the Beneficiaries for clarifications if the case may be, and validate only the verified costs. In exceptional cases, if the Beneficiaries are not able to deliver within the set deadline the necessary explanations and/or additional documents to the Controller, the Beneficiaries may claim the related costs in the next reporting period;
- to provide the NA a Report whenever fraud or corruption is suspected and/or established;
- to include any suspected irregularity in the Expenditure verification report and to inform the NA (see art. 31.3 of the IR 897/2014)
- the examination shall be performed in accordance with:
 - the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
 - the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA).

Main responsibilities of Lead Beneficiary's Controller:

to produce an annex to the expenditure and revenue verification report with the consolidated expenditure and revenue verification report at project level (Annex 9) based on the expenditure verification reports (Annex 8) issued by the

controllers of each Beneficiary. The Lead Beneficiary's Controller does not verify the costs and revenues declared at the level of the other beneficiaries nor the justification documents. The consolidated expenditure and revenue verification report of the Lead beneficiary (Annex 9) will include information about auditors of each Beneficiary and a disclaimer that the Lead Beneficiary controller does not carry responsibilities for the figures presented in the individual reports issued by each controller.

Section 5

Specific Procedures to be followed

Sub-section 5.1

General Procedures

5.1.1 Provisions of the Grant Contract

The Controller, concerning the content of the Grant Contract, if needed, shall request clarifications from the Beneficiary.

5.1.2 Financial Report for the Grant Contract

The Controller verifies that the Financial Report complies with the following conditions of Articles 4.15, 5.4 of the Grant Contract:

- is filled in, in compliance with the instructions attached to the template;
- covers the eligible costs and revenue of the Project as a whole, regardless of source of financing;
- is drawn up in the currency (Euro) and the language of the Grant Contract (English);
- the expenditure is declared in original currency and is converted into euro automatically by the formulas inserted in the Expenditure verification report.

5.1.3 Rules for Accounting and Record keeping

The Controller examines – when performing the procedures listed in this Instruction – whether the Beneficiary has complied with the rules for accounting and record keeping of Articles 11.2 of the Grant Contract, namely, that the accounts:

- a) may be a separate accounting system or an integrated one, part of or an adjunct to the Lead Beneficiary and the Beneficiaries' regular system;
- b) comply with the accounting and bookkeeping policies and rules that apply in the country concerned;
- c) enable revenue and expenditure relating to the project to be easily traced, identified and verified.

5.1.4 Reconciling the Financial Report to the Beneficiary(ies)'s Accounting System and Records

The Controller reconciles the information in the Financial Report to the Beneficiary's accounting and book-keeping system, underlying accounting and other relevant records (e.g. trial balance, general ledger accounts, sub ledgers etc.).

In this respect, the Lead Beneficiary and the Beneficiaries shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.

5.1.5 Exchange Rates

The Controller verifies that the expenditure is declared in original currency, and that the financial report is stated in euro. For the purpose of reporting, conversion into euro shall be made by each Beneficiary using the monthly accounting exchange rate of the European Commission² of the month during which the expenditure was submitted for verification in accordance with Article 4.15 of the grant contract. To this end, the Controller shall keep evidence of the date when the expenditure has been submitted by the Beneficiary for verification i.e. confirmation e-mail, AWB, confirmation of receipt.

Sub-section 5.2 Procedures to verify Expenditure

5.2.1 Eligibility of Costs

The Controller verifies, for each expenditure item, the eligibility criteria set out below.

(1) *Actual costs incurred (Article 8.1 to the Grant Contract)*

The Controller verifies that the actual expenditure for each item was incurred and paid by the Beneficiary (ies). The Controller should take into account the conditions for actual costs incurred as set out in Article 8.1 to the Grant Contract letter a). For this purpose, the Controller examines supporting documents (e.g. invoices, contracts) and proof of payment, proof of works done, goods received or services rendered and he/she verifies the existence of assets if the case. A list of supporting documents is described in Annex 2; the list is indicative as the controller will examine those documents that are in line with the specific type of expenditure and with the national legislation. The controller may ask for additional documents in accordance with national legislation and/or as he/she sees fit.

If sufficient supporting evidence is not available, the expenditure will be considered ineligible.

(2) *Implementation period (Article 2 (2.3) of the Grant Contract)*

² https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en

The Controller verifies that the expenditure for each item was incurred during the implementation period of the Project, as set in Art. 2 (2.3) of the Grant Contract.

The following exceptions are allowed:

- Costs related to studies and documentation for projects including an infrastructure component respectively, the expenditure for the Feasibility Study or equivalent, Environment Impact Assessment, other technical documentation, incurred during the project preparation period which starts after the approval date of the Programme, respectively 17 December 2015 - provision available only for LIPs and HARD projects and SOFT projects with an infrastructure component (*article 8.1, j) of the Grant Contract*)
- Preparatory costs incurred by the project for the assurance of strong partnerships provision available only for HARD projects, SOFT project with an infrastructure component and SOFT projects (*article 8.1, k) of the Grant Contract*)
- Costs relating to final reports, only for expenditure verification, which may be incurred after the implementation period of the project. They may be paid afterwards, provided they are listed in the final report together with the estimated date of the payment (*article 8.1, a) of the Grant Contract*)
- Costs incurred after the date of submission of the project proposal provided that the Lead Beneficiary has demonstrated in the Description of the project the need to start the project implementation before the contract signature - provision applicable only for LIPs (*article 8.1, l) of the Grant Contract*)

(3) Budget (Article 3 of the Grant Contract)

The Controller verifies that the expenditure for each item included in the Financial report corresponds with and is indicated in the budget of the Grant Contract or in the latest approved amended project budget in force at the date of report submission by the Beneficiary.

(4) Necessity (Article 8.1 - d of the Grant Contract)

The Controller verifies whether the expenditure for each item was necessary for the implementation of the project and that it had to be incurred for the contracted activities of the project by examining the nature of the expenditure with supporting documents, and verifies the correlation between the expenditures incurred and the budgeted amounts/ project activities.

(5) Records (Article 8.1 - e of the Grant Contract)

The Controller verifies that the expenditure for each item is timely recorded in the Beneficiary's accounting system and was determined according to the accounting standards and the usual cost accounting practices applicable according to the Grant Contract and these instructions for the Beneficiary;

(6) Applicable legislation (Article 8.1 - f of the Grant Contract)

The Controller verifies that expenditure complies with the Grant Contract terms, these instructions, Programme financial rules, and with the requirements of tax and social security legislation where this is applicable.

(7) Reasonable and justified expenditure (Article 8.1 - g and h of the Grant Contract)

The Controller verifies that expenditure for each item is reasonable and is substantiated by evidence (see section 5.3.1 Verification evidence) and supporting documents in accordance with the Indicative supporting documents listed in Annex 2 and it complies with the principles of sound financial management, in particular economy and efficiency.

(8) Valuation

The Controller verifies that the monetary value of the expenditures is compliant with underlying documents (e.g. invoices, salary statements, contract amounts, tender documentation).

(9) Classification

The Controller examines the nature of each expenditure item and verifies that the expenditure item has been classified under the correct budget or sub-budget line of the Financial Report.

It is also important that the classification of expenditure is consistent from one financial reporting period to another.

(10) Compliance with Procurement rules applicable at Programme and national level and rules regarding Nationality and Origin

The Controller verifies whether the Beneficiary has concluded, according to the procurement rules set out in Article 9 of the Grant Contract, implementation contracts with contractors in line with expenditure (sub)budget line(s) or expenditure item(s).

For this purpose, the Controller inspects the underlying documents of the procurement and purchase process.

Where the Controller finds issues of non-compliance, he/she reports the nature of such issues as well as their financial impact in terms of ineligible expenditure/ financial correction applied according to 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. When examining supporting documents, the Controller takes into account the risk indicators listed in Annex 3.

(11) Compliance with the information and visibility rules of the Programme (article 10 of the Grant Contract)

The controller checks whether the Programme requirements regarding information and visibility have been respected, in particular the Communication and Visibility Manual is

complied with, and the written JTS/Branch Office endorsement, on the communication and information materials produced and paid by the Beneficiary from the project budget is available.

(12) Eligible area

The Controller verifies that all expenses have been incurred in the core area of the Programme. In case of expenses incurred outside the core area shall verify that provisions of Article 8.4 of the grant contract have been fully considered by Beneficiary.

5.2.2 Eligible Direct Costs (Article 8.2 of the Grant Contract)

The Controller verifies that expenditure items which are recorded under one of the direct costs budget lines of the Financial Report, are covered by the direct costs as defined in Article 8.2 of the grant contract by examining the nature of these expenditure items.

5.2.3 Indirect costs (Article 8.3 of the Grant Contract)

The Controller is not required to verify the actual costs on which flat-rate financing are based. According to Article 8.3 of the Grant Contract, flat-rate funding in respect of indirect costs does not need to be supported by accounting documents. However, should the direct costs be revised (decreased) following the expenditure verification, the Controller should review the flat rate financing based on the verified direct costs.

5.2.4 In kind contributions (Article 8.6 of the Grant Contract)

The Controller verifies that the costs in the Financial Report do not include contributions in kind. Any contributions in kind, do not represent actual expenditure and are not eligible costs. However, if the Description of the project foresees contributions in kind, the Controller shall verify if the contributions have been provided as such.

5.2.5 Non-eligible costs (Article 8.7 of the Grant Contract)

The Controller verifies that the expenditure for an item does not concern an ineligible cost as described in Article 8.7 of the Grant Contract.

5.2.6 Revenues of the Action

The grant may not produce profit for the Beneficiary during the implementation period.

The Controller examines whether the revenues which should be attributed to the project have been allocated to the project and declared in the Financial Report, according to beneficiary's Declaration.

The receipts to be taken into account are the consolidated receipts on the date on which the payment request for the final balance is made by the Beneficiary that fall within one of the three following categories:

- a) revenue generated by the project;
- b) financial contributions specifically assigned by the donors to the financing of the same eligible costs financed by the Contract. Any financial contribution that may be used by the Beneficiaries to cover costs other than those eligible under the Contract or that are not due to the donor where unused at the end of the project are not to be considered as a receipt to be taken into account for the purpose of verifying whether the grant produces a profit for the Beneficiaries;
- c) interest produced by the pre-financing and interim payments received from the MA.

Sub-section 5.3 Instructions on Specific Procedures to be performed

5.3.1 Verification evidence

1. When performing the verification of expenditure and revenues as described in Section 5.2, the Controller may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations.
2. The Controller obtains the needed verification evidence in order to draw up the expenditure and revenue verification reports. The verification evidence includes information contained in the accounting records underlying the Financial Report and other type of information (financial, legal, and technical).
3. The Controller shall perform on-the-spot checks at least once during the projects' lifetime as to verify the outcomes of the project, evidence of services, works, or goods procured through the project, to verify that the expenditures are in compliance with the requirements of the programme, EC regulations including those specified in preface to these instructions, and related national legislation in force. Moreover, in case of HARD projects or LIP, when the beneficiary reports expenditures related to execution of infrastructure (as per Chapter 3.2 of the Budget) of more than 100,000 EUR, the Controller must mandatorily perform on-the-spot check of the executed infrastructure. For the purpose of the procedures listed in Section 5.2, the Beneficiary must ensure that accounting and supporting documents:
 - are easily accessible and filed so as to facilitate their examination;
 - are available in the original form, in copies, including in electronic form;
 - are available in documentary form, whether paper, electronic or other medium (e.g. a written record of a meeting is more reliable than an oral presentation of the matters discussed). Electronic documents can be accepted only where:
 - the documentation was first received or created (e.g. an order form or confirmation) by the Beneficiary(ies) in electronic form; or
 - the Controller is satisfied that the Beneficiary uses an electronic archiving system which meets established standards (e.g. a certified system which complies with national law).

- are preferably obtained from independent sources outside the entity (an original supplier's invoice or contract is more reliable than an internally approved receipt note);
 - are obtained directly by the Controller (e.g. inspection of assets, bank confirmation letters, external confirmations from suppliers) as these are more reliable than evidence obtained indirectly (e.g. inquiry about the asset).
4. If the Controller finds that the above criteria for evidence are not sufficiently met, he/she must record this in the factual findings.
 5. The Beneficiary will allow the Controller to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the project. The Beneficiary must give access to all documents and databases concerning the technical and financial management of the project;
 6. The list of types and nature of evidence used by the Controller while performing the expenditure and revenue verification, shall be annexed to the Expenditure and Revenue Verification Report.

5.3.2 Verification coverage

The Controller shall verify 100% expenditures reported by the Beneficiary in the Financial Report and shall indicate if they are eligible in accordance with the grant contract, EU regulation including those specified in preface to these instructions, and national legislation.

5.3.3 On-site visit

When carrying out on-site visit, the Controller shall take into account the following aspects:

- a) Eligibility of expenditure:
 - verification of the original supporting documents including the procurement documents related to the eligible expenses for which was requested the verification;
 - the goods, services and works purchased are registered in the accounting of the Beneficiary in analytical accounts related to the project;
 - the expenditures are performed in order to achieve the project objective.
- b) The existence of the original supporting documents, including the existence of the project code on the original payment invoices and of the amounts partially settled, as the case may be;
- c) The existence of goods, equipment, works, and their functionality;

d) Registration in the accounting of the Beneficiary of the purchased goods, services and works in the accounting of the Beneficiary. In this respect will check the following documents:

- statements of account and analytical balance sheet, signed and stamped (if the case may be according to the Ukrainian law);
- fixed asset sheet;
- invoices, minutes of commissioning and reception, contracts for the supply of products / services / works, other documents of origin of tangible assets, etc.;
- the value registered in the accounting of the Beneficiary is in accordance with the documents of origin of the tangible fixed assets.

e) The project has not received funding from other non-reimbursable funds - in this respect it will check whether the project code and "Project financed by" are registered on the original invoices;

f) Visibility of the project: it will be checked the consistency of the visibility measures implemented with those foreseen by the grant contract

During the on-site visit, the Beneficiary will make available to the Controller, at request, any relevant document for performing the checks.

Sub-section 5.4

Reporting

- 5.4.1** The report on the expenditure and revenue verification shall describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail to enable the Beneficiary and the Managing Authority to understand the nature and extent of the procedures performed by the Controller and the factual findings reported by the Controller. When undertaking the expenditure and revenue verification, the Controller shall use the Check-list presented in Annex 4 to this Instruction, which shall be filled in and attached to the Expenditure and revenue verification report.
- 5.4.2** In addition to this report, if the case may be, a report on suspected and/or established fraud or corruption shall be elaborated and sent directly to the National Authority without any need of informing the concerned Beneficiary.
- 5.4.3** The use of the template of report on expenditure and revenue verification (presented in Annex 8) and on the suspected and/or established fraud or corruption (Annex 5) is compulsory.

Section 6

Final provisions

1. The Controllers in Ukraine may be excluded from the pool of controllers following the national legislation and in accordance to the provision of the Contract between Beneficiary-Controller.

Annexes to the Instruction:

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