



**ENI CROSS-BORDER COOPERATION PROGRAMME**  
**POLAND-BELARUS-UKRAINE 2014-2020**

**GUIDELINES ON EXPENDITURE VERIFICATION**

Version 1.0  
5.04.2017

**Legal grounds:**

The ENI Cross-Border Cooperation Programme Poland-Belarus-Ukraine 2014-2020 (15/11/2016).

**Glossary of terms:**

**Auditor:** an expert independent from the audited entity responsible for confirming that the project is being implemented according to the contract and the project application form through verification of expenditures, including detection of non-eligible expenditures and reporting detected irregularities to the Managing Authority.

**Audit trail:** possibility to track the history of an economic operation from its registration in the financial and accounting system to documents, which are the basis for costs to be incurred and paid as well as economic events documented with this documentation, including those following applicable public procurement procedures.

**Beneficiary:** each entity specified in the grant application form who participates in the project and concludes the partnership agreement with the lead beneficiary.

**Lead Beneficiary:** an entity specified in the grant application form signing the grant contract and responsible for the financial and operational implementation of the project.

**Eligible expenditure:** expenditures or costs correctly borne by beneficiaries, which are eligible for being covered by the Programme co-financing. It is an expenditure compliant with the rules laid down in Programme documents, contract and application form as well as with the national and EU regulations.

**Non-eligible expenditure** – each expenditure or cost, which cannot be recognised as eligible.

**Irregularities** - means any breach of the grant contract or violation of the applicable law resulting from an act of omission by an entity engaged in implementing the Programme which cause or could cause a damage in the EU budget by charging an unjustified item of expenditure to the budget of the Union.

**Programme** Cross-Border Cooperation Programme Poland - Belarus - Ukraine 2014 – 2020.

**Programme documents** – documents approved by the Managing Authority or the Joint Monitoring Committee, applicable to the Programme implementation.

**Progress Report:** a report submitted by the Lead Beneficiary to the Joint Technical Secretariat according to the Programme Manual Part II – Implementation Manual (applicable for proper call for proposals) and grant contract, presenting progress in implementation of the entire project, including the financial and operational progress.

**Regulation:** 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.



**Simplified methods for settling expenditures: lump sums, unit costs, flat-rates** which are co-financing in the form indicated in art. 50 of the Implementing Regulation of the EC (EU) No 897/2014 of 18 August 2014.

**List of Acronyms:**

**MA** - Managing Authority

**AA** - Audit Authority

**CCP** - Control Contact Point

**EC** - European Commission

**JTS** - Joint Technical Secretariat appointed as Intermediate Body

**Introduction:**

Projects implemented within the Cross-border Cooperation Programme Poland-Belarus-Ukraine 2014 – 2020 (Programme) are subject to control by authorised institutions. The verification and the confirmation by the auditor of the regularity of expenditure incurred within the project is an important element of the control system. The Programme includes the control system in which each beneficiary either appoints its own auditor subject to approval by the CCP (in case of Polish beneficiaries) or select an auditor from the list of auditors established by the CCP (in case of Belarusian and Ukrainian beneficiaries). The Guidelines are addressed to the beneficiaries and auditors to provide them with necessary information about the auditor's responsibilities, the type and scope of the verification and thus ensure that the expenditure incurred will be accepted by the JTS/MA.



## **1. AUDITORS AND THEIR RESPONSIBILITIES**

### **1.1 Auditor's role**

The purpose of the auditor's work is to ensure compliance of expenditures under the project with the domestic law and EU legislation (in case of expenditure incurred by Polish beneficiaries) as well as their compliance with the Programme requirements and provisions of the grant contract, including the valid version of the application form.

The auditor's responsibility is to confirm the audit trail, including the confirmation that the services, deliveries or works have been completed, made or installed, and the expenditure declared by the beneficiaries has been paid by them. For this purpose, the auditor conducts an administrative accounting and substantive verification of the expenditure presented by the beneficiary in the project progress report, to ensure that the expenditure:

- 1) has been incurred in accordance with the provisions of the grant contract and the project budget;
- 2) is included in the catalogue of eligible expenditure being the part of in Programme documents related to the eligibility of expenditure and in the grant contract;
- 3) has actually been incurred during the eligibility period of project expenditure;
- 4) has been incurred in accordance with the principles of sound financial management, in particular, the “best value for money” principle;
- 5) has been documented correctly;
- 6) has been fixed in accounting documents.

### **1.2. Scope of expenditure verification by the auditor**

The scope of verification by the auditor includes, in particular:

- 1) verifying whether the progress report/final report has been filled in correctly with regard to formal and accounting aspects;
- 2) verifying whether the expenditure declared complies with the grant application form, grant contract, partnership agreement, i.e. whether it has been planned in the project and is settled in accordance with the eligibility rules and within the correct expenditure category;
- 3) verifying whether the lead beneficiary has transferred funds to the project partner(s) in accordance with the grant application form, grant contract and partnership agreement;
- 4) verifying whether the substantive scope of the project is being implemented in accordance with the schedule of the grant contract, including whether the required indicators have been achieved;
- 5) verifying whether the costs, expenditure and revenue of the project as well as the equipment, intangible assets purchased and the construction works completed have been delivered and correctly recorded in the financial/accounting system of the project beneficiary;
- 6) verifying whether the contractors of services, deliveries and works under the project have been selected through the appropriate tender procedures, including compliance with the national public procurement law;



- 7) verifying the compliance of the expenditure incurred with the national regulations and Programme requirements (regulations on state aid, visibility, publicity, environment protection and equal opportunities, if applicable);
- 8) verifying documentation confirming the delivery of co-financed goods, services and construction works;
- 9) verifying whether the expenditure has actually been incurred and paid, with the exception of simplified methods of expenditure settlement;
- 10) verifying whether a separate accounting system is kept or whether the appropriate accounting code is used for all transactions related to the project, except for simplified methods of expenditure settlement;
- 11) verifying whether the project implementation progress has been clearly and fully reflected in the reports and whether there is immediate access to the record of activities that have been completed, verifying the appropriate documentation of goods deliveries, service provision and construction works both in progress and finished;
- 12) verifying the complete tender documentation for contracts awarded under the project in accordance with the national law;
- 13) verifying the documentation of the selection of the subcontractor for contracts awarded under the project whose values are below the national thresholds for the application of public procurement procedures (taking into account the Programme requirements for contracts);
- 14) verifying whether the award of contracts has complied with competition rules specified in Programme documents;
- 15) verifying the method of archiving of project documentation;
- 16) verifying whether the project beneficiary has implemented recommendations following the controls and audits carried out and whether it has remedied the irregularities if any have been found.

The auditor shall verify expenditure based on audit procedures they are bound to observe, specified in the Programme and in accordance with:

- 1) the International Standard on Related Services 4400, Engagements to Perform Agreed-upon Procedures Regarding Financial Information, in the version issued by the International Federation of Accountants (IFAC);
- 2) The Code of Ethics for Professional Accountants developed and issued by the IFAC's International Ethics Standards Board for Accountants.

### **1.2.1 Administrative verification by the auditor**

During the administrative verification, the auditor checks whether:

- 1) the report has been filled in correctly from the formal and accounting point of view;
- 2) the required annexes to the report have been attached;
- 3) the report presents the progress of project implementation, including the achievement of the indicators (from both quantitative and qualitative point of view);



- 4) the beneficiary's expenditure presented in the report is correct and complies with the eligibility rules laid down in Programme Manual Part II – Implementation Manual (applicable to the respective call);
- 5) the limit of expenditure for particular activity and budget headings has not been exceeded;
- 6) the correct exchange rate has been used to convert expenditure incurred in the national currency into euro;
- 7) the report does not contain the ineligible expenditure listed in the Implementing Regulation 897/2014;
- 8) financial and accounting documents have been correctly described, correspond to the expenditure incurred and confirm it;
- 9) the lead beneficiary and the remaining beneficiaries of the project have a separate accounting systems or separate accounts for all transactions related to the project, without prejudice to the rules of accounting applicable in the country;
- 10) in case of expenditure financed on the basis of simplified settlement methods – the conditions necessary to make payment in full to the partners have been fulfilled, including:
  - a. whether the value of the lump sum expenditure does not exceed the approved lump sum value;
  - b. whether the activity covered by the lump sum payment has been implemented;
  - c. whether costs are not double-reported (e.g. the purchase covered by the flat-rate financing has not also been financed under a different budget line);
  - d. whether unit costs are properly applied and correctly calculated;
  - e. whether the approved methodology has been used to establish the value of the lump sums and flat-rates;
  - f. in case of modification of the value of cost category which was the base for flat-rate calculation: has the value of the flat-rate been changed proportionally.

In addition, the auditor of the lead beneficiary also confirms that the payment has been made by the lead beneficiary to other beneficiaries.

The auditor shall administratively verify the report based on the information from, among others:

- 1) the approved grant application form including all annexes;
- 2) the grant contract including annexes and all addenda or modifications;
- 3) the partnership agreement concluded between the lead beneficiary and the beneficiary(-ies) of the project including all annexes, addenda or modifications;
- 4) the progress report, including all annexes;
- 5) in case of expenditure financed on the basis of real costs – documents confirming the regularity and eligibility of expenditure included in the report, including:
  - a) accounting evidence of the expenditure incurred (invoices, bills etc.) and documents confirming the payment (e.g. bank statements);
  - b) contracts with contractors for deliveries, services or works;
  - c) acceptance protocols for the delivery of goods, services or works and other documents confirming the acceptance or completion of works (occupancy permit etc.);
  - d) other documents necessary to confirm the regularity and eligibility of expenditure;



- 6) in case of expenditure financed on the basis of simplified settlement methods – documents confirming the correct calculation of the cost amount.

### 1.2.2 Verification of public procurement by the auditor

The public procurement rules set in Implementation Manual, part II define the tendering and publicity procedures applicable to different threshold values. Depending on beneficiary origin, following levels have to be taken into consideration:

- Programme Manual including procurement procedures set out in art. 53 to 56 of the Regulation;
- national rules;
- internal rules of the partner organization.

As a matter of principle, the stricter rules must always be applied.

To confirm the regularity of procedures governed by the applicable public procurement rules, the auditor verifies tender documents, which depending of the threshold usually consists of the following:

- 1) the protocol of the public procurement procedure including:
  - justification for the procedure chosen in the light of the identified needs,
  - evaluation of the offers in the light of the previously announced award and weighting criteria,
  - all its annexes;
- 2) the contract announcement, including all possible modifications (with evidence that these did not distort competition in the relevant market and that there was no modification of the object of the initial contract);
- 3) the terms of reference sufficiently specified, including clear information to candidates on award and weighting criteria, and all possible annexes;
- 4) request for offers or procurement publication/notice;
- 5) the public contract agreement including all possible modifications;
- 6) bids including the required annexes;
- 7) the contents of questions and answers – if applicable;
- 8) the payment of the tender bond – if applicable;
- 9) the document appointing the Tender Commission – if applicable;
- 10) the announcement of the rejection and selection of the most beneficial bid;
- 11) the announcement of awarding the public contract.

**Recommendation:**

To ensure the smooth verification of expenditure and limit the risk of ineligible expenditure, it is recommended to provide the auditor with the public procurement documentation once the contract has been signed with the contractor, but before the expenditure has been incurred.

Due to the risk of financial correction imposition, it is recommended to oblige the auditor to provide advisory services with regard to the ex-ante assessment of public procurement procedures.

The ex-ante assessment can constitute an optional verification carried out on request of the beneficiary by the auditor independently of the administrative verification, and thus such assessment plays a preventive role, helping the beneficiary avoid the negative consequences of possible breaches of national public procurement regulations, EU legislation (applies to Polish beneficiaries) and Programme requirements.

In the case of Ukrainian and Belarusian beneficiaries, after the auditor has identified breaches of national regulations or Programme requirements applicable to public procurement, it shall reduce the amount of eligible expenditure in accordance with the Guidelines on Financial Corrections of the Cross-Border Cooperation Programme Poland - Belarus - Ukraine 2014 - 2020 constituting Annex 1.

In the case of Polish beneficiaries, the auditor shall apply the Regulation of the Minister of Development of 29 January 2016 on the conditions for value reduction, financial corrections and expenditure incorrectly incurred in connection with granting contracts (*Dz.U. - Journal of Laws – of 2016, item 200*)

**1.2.3 Form of administrative verification carried out by the auditor**

The administrative verification of project expenditures may be carried out by the auditor at office (the beneficiaries provide documents confirmed as true to the original copies) and/or at the project implementation site/at the beneficiary's offices, based on original documents. The verification covers 100% of expenditures reported by the beneficiary.

The beneficiary submits the project progress report in English, while the documentation confirming the regularity of expenditures is in national languages.

The auditor should have access to all documents related to project financing (and accounting systems) as well as to all project-related records and databases, results and outcomes.

Beneficiaries are responsible for delivering the required documentation and providing clarifications to auditors within the time limits set by the auditors.





The administrative verification on-the-spot/at beneficiary's office is obligatory in case of purchase of fixed assets by the beneficiary for the value equal to or higher than 5000 EUR gross and at the end of the project implementation before the final report is submitted.

The on-the-spot verification includes, in particular, verification of the following:

- 1) whether the co-financed goods and services have been delivered,
- 2) whether the actual progress of the project corresponds to the information presented in the reports and whether the expenditures declared by the beneficiary in connection with the project implementation has really been incurred and complies with the requirements of the Programme as well as EU and national rules (if applicable),
- 3) whether separate accounting records are kept for the purposes of the project,
- 4) whether the original documents presented by the beneficiary for the administrative verification are available,
- 5) whether the conditions of documentation storage and archiving, including ensuring the audit trail, have been met,
- 6) whether the information and visibility requirements are fulfilled, what is checked by visually examining the assets (fixed assets/equipment, repair works / construction works completed) purchased as part of project implementation, including:
  - a) verifying the correct usage of the assets – are they used in accordance with the designated purpose, as well as the assumptions and objectives of the project,
  - b) determining the location and the person using the assets,
  - c) verifying that assets inventory number,
  - d) verifying the correct marking of assets in accordance with the Programme visibility rules.
- 7) in the case of works contracts, whether:
  - a) there are documents confirming the ownership right to the land and/or buildings or the right to manage/use the land and/or building in which the works will be carried out,
  - b) all EU requirements (if applicable) and national requirements applicable in the case of investment/infrastructure project implementation, have been fulfilled (e.g. building permission, notification of works component or other equivalent documents, environmental decisions, environmental impact report, occupancy permit).

#### **1.2.3.4 Post-control documentation**

The regularity of control activities and the scope of the carried out administrative verification is confirmed by the auditor who shall sign a certificate specifying the approved amount of eligible expenditures. The document confirms that the expenditures comply with the rules of expenditures eligibility laid down in Programme Manual Part II – Implementation Manual (applicable to the respective call for proposals) and the grant contract.

The template of the certificate constitutes Annex 2 to this Guidelines.

The verification of the project progress report is documented by the auditor, who shall fill in and sign a checklist. The template of the minimal scope of such checklist constitutes Annex 3 to this Guidelines.

The verification of the compliance of the procedure with the national public procurement regulations is additionally documented by the auditor by filling in and signing a checklist for public procurement's control. The template of the minimum scope of the checklist for public procurement's control is attached as Annex 4 for Polish procedures, Annex 5 for Belarusian procedures and Annex 6 for Ukrainian procedures.

The auditor is obliged to use the templates of mentioned in this point. The auditor is authorised to use other additional tools.

### **1.3 Requirements concerning auditors**

#### **1.3.1. Auditor independence**

Regardless of ISRS 4400 stipulating that with regards to recommendations concerning agreed-upon procedures independence is not necessary, it is required that the auditors fulfil the independence requirements of the IFAC Code of Ethics for Professional Accountants.

In addition, the auditor's independence is defined as their organisational independence from the institutional structures and the operations of the beneficiary, including activities carried out as part of the project. The objectivity and independence shall be infringed in case of provision of assurance, advisory or consulting services concerning the activities of the beneficiary within two years preceding the start of providing the project verification service, with the exception of providing services concerning the verification of projects financed from the European Neighbourhood and Partnership Instrument and the European Neighbourhood Instrument.

The independence shall be breached by holding shares or other titles of ownership of the auditee. The objectivity shall be infringed by the occurrence of a conflict of interest, when the impartial and objective fulfilment of the function by the auditor is compromised due to family or emotional reasons, political sympathies or belonging to a state, an economic interest or any other common interest with the beneficiary being audited, providers of services to the verified project or entities involved in implementing the Programme. Such situations shall include actions or relationships, which may be contrary to the beneficiary's interest.

The auditor's independence and objectivity is seen as the need to avoid any situation that could lead to a conflict of interest, including the avoidance of situations in which even only a theoretical possibility exists that the personal interest may outweigh the result of the verification being conducted.

The auditor shall disclose to the CCP all significant facts they are aware of, which, if they were not disclosed, could interfere with the perceived objectivity and independence of the verification, they carry out.

The auditor must also be independent from other entities responsible for implementing the Programme, including the JTS, MA, AA, CCP.

The verification can start only after the previous signing of the declaration of impartiality and confidentiality constituting Annex 7 to this Guidelines.



### 1.3.2. Auditor qualifications

#### 1.3.2.4.1 Polish auditors' qualifications

- 1) The auditor must fulfil at least one of the following requirements:
  - a) be a member of the national authority or body for accounting and audit, which is the member of the IFAC;
  - b) be a member of a national accounting or audit authority or entity. If this organisation is not an IFAC member, the auditor must undertake to execute work in accordance with IFAC standards and codes of ethics and must hold at least one of the following certificates: CIA, CGAP, ACCA, CIMA.
  - c) be registered as an auditor in the register of auditors maintained by the National Council of Statutory Auditors
- 2) When verifying public procurement, the auditor must, in addition, fulfil at least one of the following requirements:
  - a) have carried out controls of the correctness of at least 10 public procurement procedures covered by the public procurement law;
  - b) have provided at least 10 legal advisory services concerning the application of the public procurement law, including, among others, issuing written legal opinions, representing before the National Appeals Chamber.
- 3) has a knowledge of English at least at the B2 level according to the classification of the Common European Framework of Reference for Languages.

The qualifications listed in points 1 and 2 may be proven by two auditors (e.g., cooperating under the civil law with another auditor, a cooperation agreement, a firm with several auditors etc.), whereas each point must be fulfilled entirely by one auditor (i.e. situations in which e.g. one auditor confirms completing 5 controls and the other also confirms completing 5 controls will not be considered as the fulfilment of the above conditions).

#### **IMPORTANT!!!**

Before selecting the auditor, the beneficiary must estimate and plan public procurements within the project including identification of their subject, object and timeframes, to avoid the situation in which a selected auditor will not be eligible to verify the public procurement procedures.

#### 1.3.2.4.2 Ukrainian auditors' qualifications

*JTS: Contribution from the UA CCP is needed*

#### 1.3.2.4.3 Belarussian auditors' qualifications

*JTS: Contribution from the BY CCP is needed*



### 1.3.3. Auditor approval procedure

#### 1.3.3.1. Approval procedure in Poland

The beneficiary is responsible for selecting the auditor in accordance with the appropriate public procurement procedures and ensuring that the auditor will fulfil requirements on auditor independence and qualifications laid down, respectively, in points 3 and 4 of this Guidelines.

#### **IMPORTANT!!!**

At the stage of drafting the documentation on auditor selection, it is recommended to foresee the possibility to withdraw from/terminate the signed contract for project expenditure verification if the auditor is not approved by the CCP or introduce a note that the agreement will be signed only after the CCP approval is issued.

The auditor specified by the beneficiary must be approved by the CCP. In order to receive the approval, the beneficiary presents a checklist indicating the proposed auditor, and:

- 1) documents confirming the auditor's qualifications, e.g. certificates<sup>1</sup>,
- 2) documents determining the scope of tasks and the area of the auditor's responsibility, e.g. an agreement.
- 3) in case of public procurement controls, it is additionally necessary to present documents confirming that the auditor fulfils the conditions for verifying public procurement procedures, e.g. a list of services carried out.

The positive assessment of the candidate by the CCP shall be documented by issuing a document confirming the auditor's approval and sending it to the beneficiary and the JTS.

The model checklist for auditor's approval constitutes Annex 8 to this Guidelines. The template of the auditor's approval decision is attached as Annex 9.

If the beneficiary cannot guarantee the independence of the project auditor or the auditor's qualifications do not meet the minimum requirements, the CCP has the right to request the change of the proposed auditor.

Project expenditures may not be verified and reported before the approval of the auditor,. Consequently, the auditor selection procedure should start immediately **after receiving notice that the project has been approved for co-financing**.

<sup>1</sup> For the purpose of proving the knowledge of English, the presentation of a self-declaration is permitted.

**IMPORTANT!!!**

The beneficiary should submit an application for auditor approval no later than within three months from the date of grant contract signature, so if the CCP does not give its approval, the procedure of auditor selection can be repeated before the deadline for submission of the 2<sup>nd</sup> request for payment to the JTS.

**1.3.3.2. Approval procedure in Ukraine**

In line with point 4.8 of the JOP the Ukrainian CCP shall preselect independent auditors, which includes:

- launching a call for expression of interest by auditors;
- quality check of requirements' fulfilment by auditors (in cooperation with the Chamber of Auditors);
- creation of an open long list of independent auditors that may be selected by beneficiaries for project expenditures verification;
- introducing changes to the list (adding or removing of auditors).

*JTS: Contribution from the UA CCP is needed on the details regarding the process of auditors approval.*

**1.3.3.3. Approval procedure in Belarus**

In line with point 4.8 of the JOP the Ukrainian CCP shall preselect independent auditors, which includes:

- coordinating the development of criteria for drawing up the list of auditing companies, services of which Belarusian partners should use to verify expenditures under the projects in accordance with requirements and the IR (jointly with the Ministry of Finance and others concerned);
- coordinating the drafting and approval of the list of auditing companies taking due account of previously developed criteria (jointly with the Ministry of Finance and others concerned);
- submitting this list to the MA and to the NA, as well as ensuring its actualisation during the Programme implementation.

*JTS: Contribution from the BY CCP is needed on the details regarding the process of auditors approval.*



#### **1.3.3.4. Expelling auditors**

The CCP shall withdraw the approval/remove the auditor from the list and request their replacement, in particular if the MA/JTS/CCP finds:

- significant irregularities of the amount approved by the auditor;
- manifest errors in expenditures verification, including multiple repetitions of shortcomings of similar nature, which indicate that a given area covered by the verification has not been controlled;
- a failure to cooperate, including not providing clarifications, information or documents on request and within the deadlines laid down by the MA/JTS/CCP and other entities authorised to control the project, or the failure to submit notes on irregularities;
- a failure to be the subject to a control by the JTS/CCP and other authorised control institutions;
- if ineligible expenditures are found by other entities authorised to control, if the auditor does not perform the re-verification of expenditures previously approved with a view to the occurrence of the same type of ineligible expenditures or the non-performance of other control follow-up recommendations which affect the verification carried out;
- the materialisation of a conflict of interest and the loss of impartiality in relation to the project beneficiary.

## **2. EXPENDITURES VERIFICATION**

### **2.1 Reporting deadlines and timeframes**

After signing the grant contract, the beneficiary is obliged to report the progress in project implementation.

The following types of reports and reporting deadlines are distinguished:

- The Start Up Report – submitted to the JTS within three months after the project commencement date;
- Brief Narrative Report – submitted to the JTS within 21 days of the end of each six-month reporting period;
- Progress Report – the progress report of the project should be received by the JTS within 12 months from the start of project implementation (it may be submitted earlier – once 70% of the prefinancing payment has been spent), and next the Final Report should be received by the JTS within 3 months from the project finalisation date.

The details of the above reports, including their scope, are presented in Programme Manual Part II – Implementation Manual, chapter "Reporting and Payments").

### **2.2 Expenditures verification stages**

Before the progress report is submitted to the JTS for approval, it must be verified by the auditor. Every beneficiary selects its own auditor responsible for the administrative verification of expenditures within the part of the project implemented by that beneficiary.



Only expenditures verified and approved by the auditor for the given beneficiary may be considered eligible within the project and presented for the final approval by the JTS.

To ensure transparency, all documents confirming the performance of the expenditures verification by auditors must be available for additional project controls by other authorised entities. The auditor is obliged to document the progress and results of the verification in a way that will enable a repeated verification control (by another auditor or another authorised entity) based on the documents collected while the auditor was verifying the expenditures.

The lead beneficiary receives post-control documents from all beneficiaries, which confirm that auditors have carried out the verification, including:

- the original certificates signed by the auditors of beneficiaries together with Progress Reports verified by the auditors (Annex 2);
- the checklists for individual beneficiaries' reports signed by auditors (Annex 3);
- the checklists for public procurement controls (if applicable) of beneficiaries signed by the auditors (Annexes 4, 5, 6).

Having received the above post-control documents, the lead beneficiary drafts a consolidated narrative and financial project progress report, presenting data of all beneficiaries (including the lead beneficiary). Then the consolidated report together with the request for payment and post-control documents of each of the beneficiaries are forwarded to the JTS.

The JTS should verify the report within the deadline of 21 days. JTS's verification of the report (including its scope and all the deadlines associated with it) follows the rules laid down in the JTS Procedures Manual. If clarifications from the beneficiary are necessary, the deadline for the verification is suspended and further verification is continued without undue delay after the beneficiary's clarifications have been received.

After the JTS has approved the report, the request for payment is sent to the Managing Authority Department responsible for proceeding with payments.

### **2.3 Time limits for drafting the progress report and the verification by the auditor**

When submitting reports that are subject to certification the lead beneficiary has to adhere to the following deadlines:

- at the latest within 12 months from the start of project implementation the Progress Report is received by the JTS (it may be submitted earlier – once 70% of the prefinancing payment has been spent);
- at the latest within 3 months from the project finalization the Final Report is received by the JTS.

Duty of coordination of work between the project beneficiaries and auditors rests with the lead beneficiary. It is recommended that the entire process of preparation and delivery to the JTS of the consolidated narrative and financial project progress report, the request for payment and control



documents issues by all auditors, does not exceed 3 months<sup>2</sup>. Recommendations concerning the organization of work related to the preparation of Progress and Final Reports within 3 months are presented below.

Due to the responsibility of the auditors in the expenditure verification system, they should receive the documentation confirming the regularity of expenditures incurred by the beneficiary duly in advance. The verification by the auditor is assumed to take about 1.5 months. Consequently, it is recommended that the individual narrative and financial progress report of the project should be provided to the auditor no later than 14 calendar days after the end of the reporting period.

At the same time, the efficiency of the verification greatly depends on the quality and completeness of the documentation drawn up by the beneficiary as well as the smooth and prompt provision of clarifications and documents.

In addition, it is recommended that the beneficiary draft a consolidated narrative and financial report within 21 calendar days from the end of the verification by auditors (including the time necessary to transfer the original post-control documents from individual beneficiaries to the lead beneficiary) and submit the entire documentation without any delay to the JTS (about 7 days are needed for the delivery of original documents by post to the JTS premises).

#### **2.4 On-the-spot verification by the JTS**

The JTS is in charge of the on-going monitoring of project implementation. As part of its monitoring duties, the JTS carries out, among others, an on-the-spot verification. This is a verification carried out at the offices of the lead beneficiary/beneficiary of the project or at any other location connected with project implementation. During such controls the implementation of the entire project or of its part is verified.

The on-the-spot verification scope includes:

- 1) verifying the actual implementation of the project and the actual substantive progress;
- 2) verifying and confirming the activities carried out and their compliance with the grant contract as well as information presented in project progress reports;
- 3) an analysis of the deliverables produced as part of the project and of the achievement of project objectives.

The on-the-spot verification shall be carried out using a sample of projects specified in the annual control plan<sup>3</sup>. In exceptional cases, it may also be carried out at the request of the Managing Authority, in particular in connection with a suspicion of the occurrence or the actual occurrence of irregularities having the nature of financial fraud.

The projects are selected for the annual control plan basing on a risk analysis. The methodology of selecting the sample for on-the-spot verification is specified in JTS procedures. As part of its methodology, the JTS also considers the results of the project quality assessment.

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<sup>2</sup> Deadline for the Final Report receipt by the JTS is indicated in the grant contract and makes 3 months from the project completion.

<sup>3</sup> The Annual Audit Plan shall be drawn up in accordance with the rules laid down in the JTS Procedure Manual.





The main topics taken into account as part of the quality assessment are as follows:

- project implementation progress;
- project implementation delays;
- errors and gaps in reports;
- suspected infringements during project implementation;
- information on control and management risks at the lead beneficiary/beneficiary institution (frequent changes in management, poor communication with the JTS and between beneficiaries etc.);
- information from the lead beneficiary/beneficiary, MA or another institution indicating issues with the project implementation;
- numerous ineligible expenditures declared by the beneficiary in its reports;
- results of conducted monitoring visits.

The project may be included in the annual control plan upon the request of the lead beneficiary/beneficiary.

The beneficiary is notified of the date of the on-the-spot verification at least five working days before its start date. This notice is sent by email or fax.

The scope of on-the-spot verification shall comply with the attached control checklist (Annex 10). The beneficiary shall be notified of the control at least 5 business days before its start (by email or fax).

Regardless of the above on-the-spot verification, the JTS may also pay monitoring visits to the project. Their scope is limited to visiting events organised as part of the project, such as meetings, conferences, seminars, festivals, training etc. Monitoring visits are to confirm that the events organised as part of the project took place and may take place in response to information about problems in project implementation.

### **Post-control procedure**

- 1) Having carried out an on-the-spot verification, within 10 calendar days the JTS prepares and sends to the beneficiary an On-the-spot Verification Report containing a list of the irregularities and errors found, possible questions or recommendations.
- 2) The cover letter to the On-the-spot Verification Report must obligatorily contain a note that the lead beneficiary/beneficiary can make reasoned written objections to the contents of the Report within 14 calendar days of its receipt.
- 3) The beneficiary has 14 calendar days from the receipt date of the Report to respond and to send the required information, documents, etc. to the JTS.
- 4) If the JTS does not find shortcomings or irregularities during the on-the-spot control, and the lead beneficiary/beneficiary does not make objections to the contents of the On-the-spot Verification Report and sends the signed Report copy to the JTS, the Report submitted to the partner shall be final.
- 5) If the lead beneficiary/beneficiary submits objections to the contents of the Report, the JTS shall consider them within a deadline not exceeding 14 calendar days from the date of receiving these objections, and:

- a) If the JTS finds them partially or fully justified –it shall draft the final version of the Report, including a written position regarding the objections and send it to the beneficiary within 14 calendar days;  
or
  - b) If the JTS rejects the objections made by the controlled entity –it shall draw up a written position on the objections and sent it to the beneficiary within 14 calendar days.
- 6) If the lead beneficiary/beneficiary withdraws from its objections, the JTS shall not consider them.
  - 7) During the consideration of the objections referred to in point 5 above, the JTS shall carry out additional control activities or request the lead beneficiary/beneficiary to present documents or provide additional clarifications. In each case when the JTS takes the above action, this suspends the deadline (14 days) until such clarifications or documents have been received or by the day when the JTS completes additional control activities. In this case, the JTS notifies the lead beneficiary/beneficiary without delay of deadline prolongation.
  - 8) If the On-the-spot Verification Report contains a finding of ineligible expenditure, the JTS sends a note on this irregularity to the MA.
  - 9) If the JTS formulates post-control recommendations, the method of their implementation is subject to JTS verification through "correspondence verification" (based on the documents provided by the beneficiary) or buy an on-the-spot follow-up verification. The JTS decides on the method of verifying post-control recommendations, taking into account the nature of the recommendations issued.

The scope of the control has been further described in Programme Manual Part II – Implementation Manual, item *Project audits, on-the-spot and check and monitoring visits* (effective within the entire call).

## **2.5. Reporting irregularities**

During the project implementation period as well as after its completion there may be some cases when expenditures approved by the auditor are recognized as ineligible e.g. during the monitoring of project implementation, financial verification of expenditures or in the project sustainability period i.e. after the project ends. In particular, the requirement to report irregularities may arise in consequence of verifications and controls conducted by authorised and competent authorities i.e. JTS, EC and AA and as a result of control activities performed by the auditor.

In case of finding any ineligible amounts within the expenditures which have been approved by the auditor, the auditor shall promptly notify the JTS and the lead beneficiary of the project.

In such case, the auditor shall prepare a note on irregularity and forward it to the JTS within 5 days from administrative finding of the irregularity and after that after the, initial revision by the JTS the note is forwarded by the JTS to the MA.

For any irregularities identified by the auditor or other authorised control bodies, the date of the administrative finding is:



The stage of finding an irregularity	Findings in writing	The date of administrative finding
Project progress report verification	A checklist to the project progress report	Certificate signature date
On-the-spot verifications by the JTS, verifications by other authorised entities	On-the-spot verification report/ post control information	The date of signing the final version of the on-the-spot verification report/ post control information

The note should be posted to:  
Center of European Projects  
CBC Programme Poland-Belarus-Ukraine 2014-2020  
Domaniewska 39A  
02-672 Warsaw, Poland  
email: pbu@pbu2020.eu.

The auditor shall also follow the instructions of the JTS/MA laid down in the response to the note on irregularities or to revise the note on request of the JTS/MA.

In case when the project is under implementation and it is possible to deduct the ineligible expenditures from the next report, the JTS, following agreements with the MA, deducts the ineligible amount from the payment to be done and notifies the beneficiary in writing about the deduction. If the project is at its final stage of implementation, the JTS, if possible, deducts the ineligible amount indicated in the note from the final balance. When the deduction of ineligible amounts from the further payment / final balance is not possible (or amount to be recovered overcomes the amount to be paid) the MA decides on sending a call for payment to the lead beneficiary. However, in case when any ineligible expenditures are found in the project by the auditor or another external institution after the final balance is approved, the MA issues a call for payment to the lead beneficiary and recovers the amounts unduly paid out.

The Note on Irregularity (template) is attached hereto as the Annex No. 11.

## 2.6. Procedure for reporting objections to the result of auditor's verification

A beneficiary has the right to appeal from the result of the auditor's verification to the JTS.

The JTS shall examine the beneficiary's objections within not more than 21 calendar days from the date of receiving the objections.

In the process of examining the objections, the JTS has the right to perform additional verification, request to provide the documents or additional clarifications. In each case when the JTS takes the above action, this suspends the deadline (14 days), until such clarifications or documents have been received or by the day when the JTS completes additional control activities. The JTS shall promptly notify the beneficiary about deadline prolongation.



The result of the JTS control shall be final and the beneficiary shall not have the right for further appeal from the JTS objections. The expenditures recognized as eligible in consequence of resolving the objections shall be approved by the auditor in the next report in which they shall be presented again by the beneficiary (does not apply to the final report).

### **3. PROJECT VERIFICATION BY OTHER ENTITIES**

#### **3.1 Quality controls by the JTS and CCP**

The CCP controls the quality of the administrative verification by the auditor. The purpose of the control is to ensure correctness of the auditors' verification.

Auditors are selected for the quality control basing on the sample of projects selected by the JTS for the on-the-spot verification. Furthermore, the quality control may be launched after finding out about some existing or potential irregularities in the administrative verification by the auditor. The quality control may be conducted as an administrative verification or on-the-spot verification.

The CCP shall have the right to request from the auditor clarifications, accounting documents and other additional documents confirming eligibility of expenditures.

The auditor has the obligation to become the subject of the control and deliver documentation necessary for the control and confirming eligibility of expenditures.

In case of a quality control in the form of an on-the-spot verification, the beneficiary shall ensure availability of facilities required for the control activities.

Furthermore, the CCP/JTS shall revise checklists and certificates prepared by auditors with the list of expenditures in terms of their compliance and reliability, including requests for additional clarifications for expenditures covered by certificates and changes made by the auditor to the post-control documentation.

Controls shall be performed during the contract execution period on the basis of an on-going analysis of project progress reports.

#### **3.2. Other controls or audits carried out by authorised entities**

Project controls may be also conducted by other authorities, both national and European, authorised to control entities delivering projects financing from the EU funds, e.g. the European Commission, the European Court of Auditors (ECA), the European Anti-Fraud Office (OLAF) or national control bodies e.g. the Supreme Audit Office, customs and tax offices, the Public Procurement Office, Central Anti-Corruption Bureau in Poland, etc.

In case of the above-listed controls, the auditor and the beneficiary shall accept to be controlled for correctness of performance of their obligations within the project.

During the control, the auditor and the beneficiary shall make available all the documents they may have, provide any explanation which may be needed by the date given by the controlling entity and actively cooperate with the control team.



### **3.3. Auditor's collaboration with the CCP/JTS and other entities**

The Beneficiary should ensure collaboration between the auditor and entities authorised to control and audit the project, in particular when finding any ineligible expenditures at the stage of verifying the consolidated report by the JTS and also in case of any existing or potential irregularities, including financial fraud and after the report is approved by the JTS and the payment is carried out.

In addition, the auditor should participate in training and seminars on eligibility of expenditures under the Programme.

A failure to meet auditor's obligations arising from this Guidelines shall result in withdrawing the approval (PL)/ removal from the auditors' list (BY/UA) and, therefore, effectively jeopardizing approval of expenditures by the JTS.

#### **IMPORTANT!!!:**

A contract with the auditor should include, at least:

- a) the purpose, scope and elements of the auditor's verification compliant with the Guidelines,
- b) the obligation to submit notes on irregularity,
- c) the auditor's obligation to cooperate with the JTS/CCP/MA/AA and other authorised control entities,
- d) the obligation to provide clarifications, answers, present documents on request of the JTS/CCP/MA/AA and other entities control authorities within deadlines specified by the control entities,
- e) the obligation of impartiality and confidentiality according to the scope specified in this Guidelines.

**IMPORTANT!!!:**

Any irregularities found by the CCP/JTS in the reports confirmed by the auditor, incorrect scope of verification carried out by the auditor, the auditor not cooperating with the CCP/JTS during the project implementation, including not provision of clarification and answering questions posed by the CCP/JTS within the requested deadlines may result in postponing payments or losing the co-financing by the beneficiary. Therefore, it is highly recommended to define in the contract with the auditor in connection with contractual damages:

- the scope of liability and the scope of services at least corresponding to the scope specified in this Guidelines,
- the relationship between responsibility and quality, accuracy and timely confirmation of expenditure correctness,
- availability of the auditor, including the obligation to communicate with the CCP/JTS, other authorised control entities and beneficiaries until the final balance is received,
- the beneficiary reserving the right to withdraw from a contract or replace the auditor in case of finding any ineligible expenditures in the expenditures confirmed by the auditor and in case of CCP's withdrawal of the auditor's approval (PL)/ removal of the auditor from the list of auditors (BY/UA) and the right to request the replacement of the auditor.

**List of Annexes**

Annex 1. Guidelines on Financial Corrections in the Cross-Border Cooperation Programme Poland - Belarus - Ukraine 2014 - 2020

Annex 2. Auditor's Certificate - confirmation of the control (template)

Annex 3. Minimum Scope Checklist for Project Control (template)

Annex 4. Checklist for Public Procurement Control for the Polish beneficiaries (template)

Annex 5. Checklist for Public Procurement Control for the Belarus beneficiaries (template)

Annex 6. Checklist for Public Procurement Control for the Ukrainian beneficiaries (template)

Annex 7. Declaration of Impartiality and Confidentiality (template)

Annex 8. Checklist for the Approval of the Auditor (template)

Annex 9. Approval of the Auditor (template)

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