

Annex 8.1

Description of the First Level Control System in Greece and the Republic of North Macedonia.

Introduction

According to Article 125 of the Regulation (EU) 1303/2013 and Article 23 of the Regulation (EU) 1299/2013 (ETC), the Managing Authority of European Territorial Cooperation Programmes bears the responsibility to carry out all necessary functions for the management verifications. This is to verify that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the cooperation programme and the conditions for support of the operation. To this end, the verifications shall include Administrative Verifications in respect of each application for reimbursement by beneficiaries and on-the-spot Verifications of operations.

Alternatively, according to Article 23 of the Regulation (EU) 1299/2013 (ETC), the Member States and third countries under certain conditions could bear responsibility for management verifications. In that case, each member state and third country shall set up a control system which will verify that the co-financed products and services have been delivered, the legality and regularity of the expenditure declared by beneficiaries for operations which are carried out in its territory and their compliance with the applicable EU and national law, the Cooperation Programme and the conditions for support of the operation.

For the verification of expenditure made by Beneficiaries located in Greece and participating in operations of European Territorial Cooperation (ETC/INTERREG) Programmes with a Managing Authority based in Greece, the Unit C "Verification of Expenditure" of the Special Service for Managing ETC Programmes (which is the MA), has been designated responsible for the verification of expenditure (Ministerial Decree 109 283 / EYΘY 1012/4-11-2015).

For the verification of expenditure made by Beneficiaries located in the Republic of North Macedonia, the responsible institution is the National Authority within the Ministry of Local Self Government..

It is highlighted that the above mentioned verifications, which are carried out within the framework of the First Level Control System of each cooperating country, concern the verification of the physical and financial object of the approved operations. The Verification of Indicators is performed by the Managing Authority / Joint Secretariat, on project and/or programme level as applicable.

For the first semester of year 2020, until July 2020 during the covid-19 pandemic the cooperating countries must follow the new adjustment procedures regarding the **on the spot verifications** as described below under the paragraph titled "Adjusted methodology during the COVID 19 pandemic phase".

However, as long as different types of lockdown/social distancing measures do not cease to apply, on local and/or national level in the cooperating countries, there is continuing need for the agreed flexibility rules, while ensuring that "quality" of verifications is not put at risk, as much as possible. Therefore, the six (6) "adjustment points" for verifications methodology agreed in 2020 are

necessarily applicable as long as social distancing measures continue to apply in any cooperating country.

In addition, taking into account the need to ensure smooth Programme “closure”, while various social distancing measures have been applying since 2020 in the cooperating countries, “Remote Verification” may be also performed, in specific cases and under specific terms and conditions, according to the provisions of the paragraph titled “Remote Verification” further below.

The First Level Control System of each cooperating country of the Programme is described below.

GREECE

1. Establishment of a Register of Controllers

For Greek Beneficiaries of ETC Programmes of which the MA located in Greece, the Unit C “Verification of Expenditure” of the MA has been designated as the body responsible to carry out the verification of expenditure (Ministerial Decree 109 283 / EYΘY 1012/4-11-2015).

The verifications are carried out by a Register of Controllers/ (“MEE” or “MEE INTERREG”) which was established at the MA following an “open call for expression of interest” to natural persons, Greek or EU citizens. A three-member Committee selects the Controllers. The enrolment to the Register shall be made in accordance with a Decision of the Special Secretary for ERDF & CF Funded Sectoral Ops. Further information and details are described in the Ministerial Decree for the “Establishment of a Register of Controllers” of the Minister of Economy and Development according to article 43(3) of Law 4314/2014.

2. Selection of the Controllers from the Register

The MA of ETC Programmes, in order to carry out administrative and on the spot verifications, according to Paragraphs 4 and 5 of Article 125 of the Regulation (EU) 1303/2013 and paragraphs 4 and 5 of Article 23 of the Regulation (EU) 1299/2013, will select Controllers only from the Registry.

The selection of controllers will be made taking into consideration the following indicative criteria:

- The type of project e.g. infrastructure projects, technical studies, environmental projects, cultural heritage projects, social orientation projects, touristic – business oriented projects etc.
- Procurement type and procedures
- Services (specialization according to the deliverables)
- Experience in financial management / monitoring / audit/controls of similar type and services.
- Specialized professional experience.

It is possible for the MA of ETC Programmes to set additional criteria taking into consideration the nature and importance of the project. The Controllers will carry out administrative and on-the-spot verifications according to Article 125 of the of the Regulation (EU)1303/2013.

The first time that a Beneficiary submits to the Unit C of the MA a Request for Verification of expenditure, the Unit C estimates the verification needs in terms of specialties, areas of expertise and professional experience of the Controllers, taking into account the nature and specificities of each project and identifies the categories of the members of the Register which will be activated. Then, the Controller is appointed on the basis of a random selection from the Register. Depending on the nature of the project and where deemed appropriate for the verifications of its physical and financial object, a group of controllers with different specialties may be appointed. In order to facilitate the conduction of the verifications (e.g. refusal/lack of ability of the Controller to undertake his/her duties), the Unit C proceeds, preferably, with a random selection of at least three members of the Register. Then, the MA issues a Decision for the selection of controller/s, in which the framework of cooperation with the controllers is also described. This Decision is communicated to the Beneficiary, in order to proceed to the relevant award of the service contract with a Controller according with its legal framework. The remuneration of the Controller for the administrative and on-the-spot verifications shall be determined by a Ministerial Decree and shall be paid by the project's budget.

The award of the service contract from the Beneficiary shall be copied to the Unit C of the MA. Then, the Unit C shall forward the electronic file to the Controller for verification (and/or shall inform him/her for the submission of the appropriate data to the MIS) and shall determine whether an administrative and/or an on - the - spot verification shall be carried out, keeping the Beneficiary always informed.

In order for the next verifications to be carried out, the Beneficiary shall forward the electronic file, directly to the Controller, putting always in copy the Unit C of the MA and the Unit C shall determine whether an administrative and/or an on - the - spot verification shall be carried out.

The procedure of the selection and contracting of a Controller(s) will be performed whenever a selection of a Controller is necessary (e.g. because of refusal of the selected Controller(s) to undertake his/her duties, force majeure, etc.).

For the verification of Technical Assistance's expenditure, where the MA is the Beneficiary of such operations, the award of the service contract to the Controller shall be done by the MA, according to the procedures applicable to Technical Assistance operations and following a proposal on selected Controllers by the Unit C' to the Unit D' of the MA, copied to the Head of the MA.

3. Administrative Verification of Expenditure

3.1 Purpose

The purpose of this procedure is the verification/confirmation of the expenditure declared for reimbursement according to the submitted supporting documents, such as invoices, proofs of payment, bank documents, progress reports etc., and the physical object (deliverables) of the project, according to the obligations which are undertaken by each Beneficiary, as they are stated in the Subsidy Contract and the relevant legal commitments.

3.2 Scope Verification is performed on 100% of the expenditure included in applications for reimbursement submitted by beneficiaries.

3.3 Description of the procedure

In order to verify expenditure, the Beneficiary submits a Request for Verification, the first time to the Unit C of the MA and the following times to the Controller, according to the procedure described above in section 2 "Selection of the Controllers from the Register". The Request includes a complete folder of the paid-out expenditure and supporting documentation in electronic form (or in paper form if the beneficiary cannot prepare an electronic file),. The Request for Verification and the Table of (Verified) Expenditure must be submitted in paper format if the beneficiary is not able to digitally sign the documents.

The Beneficiaries shall submit their applications for expenditure verification at least every semester/trimester and preferably whenever the expenditure exceeds 15.000€, according to the relevant provisions of the INTERREG IPA II CBC Programme Greece –Republic of North Macedonia 2014-2020.

The Controller carries out controls according to the relevant institutional framework, the Guidance on Management Verifications and the approved documents of the INTERREG IPA II CBC Programme Greece – THE REPUBLIC OF NORTH MACEDONIA 2014-2020, in order to verify:

- That the expenditure declared is in accordance with the supporting documents
- That the expenditure is eligible and relates to the eligible period of the programme;
- That the expenditure relates to an approved operation and the corresponding legal commitments which should ensure that public procurement, state aid, environmental, equal opportunities and non-discrimination rules are respected;
- That the expenditure is in compliance with the applicable Law and the national and EU eligibility rules;
- The physical progress of the operation (measured by the MA/JS via common and programme specific output and/or result indicators) is in line with the approved project Application Form;
- That the delivery of the products or services is in full compliance with the terms and conditions of the Subsidy Contract.

The Controller, within five (5) working days from the day he/she receives the Decision for his/her appointment and the electronic file, shall submit to the Beneficiary by e-mail, putting Unit C in copy, the provisional Certificate of Verified

Expenditure together with the Table of Verified Expenditure, the Verifications Control Checklist, the relevant (Administrative) Verification Report and as applicable, all required documentation concerning the First Level Control. Acknowledging receipt of the aforementioned documents is a responsibility of the Controller and shall be done by an email, excluding the automatic reply/receipt, and/or by asking for a reference/protocol number of the beneficiary.

The Beneficiary can submit an objection within five (5) working days after receiving the aforementioned documents, as proven by the date of the e-mail sent in which the Unit C of the MA is in copy. Acknowledging receipt of the objection is a responsibility of the Controller and shall be done by an email which should be sent to the Beneficiary, excluding the automatic reply/receipt.

The Controller, within five (5) working days after receiving the objection, examines the objection and submits the final Certificate of Verified Expenditure with the Table of Verified Expenditure, as well as the relevant Verifications Control Check List, the relevant (Administrative) Verification Report and all required documentation concerning the First Level Control. The Controller submits the revised aforementioned documentation to the beneficiary, keeping the Unit C of the MA in copy. Submission of the Final Certificate and the accompanying documents is done by e-mail and by post. In both cases, acknowledging receipt of the aforementioned documents is a responsibility of the Controller and shall be done by an email, excluding the automatic reply/receipt, and/or by asking for a reference/protocol number of the Beneficiary/recipient.

In case the Controller asks for clarifications and/or supplementary data, from the Beneficiary, the above deadlines for the examination of the file for control and the potential objections shall be interrupted until the Beneficiary sends a reply, but not more than five (5) working days, as proved by the email communication between the Controller and the Beneficiary. The Unit C of the MA shall always be in copy of all communication.

The Controller could partially or totally agree with the submitted objection and as a result, he/she drafts accordingly the final Certificate, the relevant Verifications Control Checklist, and the relevant (Administrative) Verification Report and all required documentation concerning the First Level Control as applicable. For not acceptable objections, the Controller shall draft an accompanying Letter in which he/she will explain the reasons for rejection. This Letter shall be sent to the Beneficiary through email, with a copy to the Unit C of the MA.

In case the Controller does not agree partially or totally with the submitted objection, the Unit C of the MA could add this Certificate to the sample of Certificates which shall be checked, in the framework of the Supervision of the First Level Control System (section 5, below).

In any case, if ineligible or irregular expenditure is found during the administrative verification, this expenditure is not verified and is appropriately reported in the Verifications Control Checklist and the (Administrative)

Verification Report, together with the appropriate justification, referring to the rules that have been violated.

If for the detected irregular expenditure, any national and/or EU contribution has been paid, then the relevant provisions for the recovery of the unduly paid amounts are activated according with the Joint Ministerial Decision for Financial Corrections, as in force.

4. On-the-spot verifications

4.1 Purpose

The purpose of on-the-spot verifications is the confirmation that the co-financed products and services have been delivered and that expenditure declared by the beneficiaries has been paid and that operations comply with the EU and national regulatory framework, whenever all the above cannot be verified only by administrative controls.

4.2 Scope

The procedure is implemented on both plan regularly scheduled (in advance) verifications and exceptional/ad hoc verifications. On-the-spot verifications will be carried out during the implementation period of the projects and/or after their completion. On-the-spot verifications will be carried out to every co-funded project, at least once throughout its implementation period.

4.3 Description of the procedure

i. Designation of the Controller

The Unit C of the MA based on the approved 6-month schedule of on-the-spot verifications or after diagnosing the need for an exceptional/ad hoc verification due to problems encountered such as indications for violation of EU or national law etc., informs the Controller for his/her obligation to carry out the on-the-spot verification either following the receipt of a file of the Beneficiary by the Controller or by sending him/her the relevant (electronic) file with the data to be verified. During the on-the-spot verification, the Controller could be accompanied by a Unit C officer.

ii. Preparation for the verification

The preparation refers to the collection of all available data of the project through the MIS and the project file that is kept by the MA and the JS of the Programme. In addition, at the preparation phase the elements that need verification are determined. These elements are those that cannot be verified through an administrative verification.

iii. Notice to the beneficiary prior to the verification

The Unit C of the MA informs the Beneficiary in writing for the up-coming on-the-spot verification, as well as for the data and the relevant staff that needs to be available during the on-the-spot verification. In cases that the implementation of the project can not be proven after its completion (e.g. in soft projects or ESF-

type projects), the on-the-spot verifications are conducted during the project implementation period, that is before its completion.

iv. On the spot verification

The on-the-spot verifications are conducted in the premises of the Beneficiary or/and in the project implementation site, if the deliverables can not be verified in the premises of the Beneficiary. These verifications should cover all administrative, financial, technical and physical aspects of the project that can not be verified through the administrative verifications. Specifically, during the on-the-spot verifications, the following aspects should be verified:

- That the declared expenditure is real and an adequate audit trail exists.
- That the implementation of the project and the delivered products and/or services comply with the terms and conditions of the relevant legal commitment or and the Subsidy contract.
- The accuracy of the information provided by the beneficiary regarding the physical and financial progress of the project.
- The compliance to national and EU rules including publicity rules.

The on-the-spot verifications are conducted with the use of the (On-The-Spot) Verifications Control Checklist, in which all data to be verified should be included together with the justifying (accompanying) documentation as well as the justification of detected irregularities, the approved project Application Form as in force and the approved Programme Documents and Manuals as in force. The (On-The-Spot) Verification Control Checklist is filled in by the Controller, who records all elements that were checked on-the-spot, and it is kept in the project file. During the verification, all necessary documentation should be collected in order or the findings to be justified.

The on-the- spot verification cannot exceed the two (2) working days from its start, as it is determined from the relevant email communication between the Controller and the MA.

v. Drafting / Approval of the Verification Report

Based on the Check List and the relevant documentation gathered during the verification, the Controller drafts a provisional (On-The-Spot) Verification Report using the template. During the drafting of the Report, the Controller may request additional elements which the Beneficiary must submit.

In a specific part of the report, the following shall be noted:

- the detailed reference to the administrative verifications performed and their findings
- the proposed measures (recommendations) to address the problems encountered and the deadline for compliance of the Beneficiary

The provisional (On-The-Spot) Verification Report, the relevant Verifications Control Checklist and the Certificate of Verified Expenditure, if it exists, shall be sent to the Beneficiary with seven (7) working days after the end of the on-the-spot verification, via an email copied to the Unit C of the MA.

The Beneficiary can submit an objection to the Controller within five (5) working days after receiving the aforementioned documents, as proven by the date of the e-mail sent to the Controller and copied to the Unit C of the MA. Acknowledging receipt of the objection is a responsibility of the Controller and shall be done by an email to the Beneficiary, excluding the automatic reply/receipt.

The Controller, within five (5) working days after receiving the objection, shall examine it and submit to the Beneficiary, keeping in copy the Unit C of the MA, the final Verification Report, the relevant Verifications Control Checklist of On-the-Spot Verification, as well as the final Certificate of Verified Expenditure, if it exists, and all required documentation concerning the First Level Control as applicable. The submission of the final Verification Report and the relevant documents shall be done via electronic mail and by post. In both cases, acknowledging receipt of the aforementioned documents is a responsibility of the Controller and shall be done by an email of the Beneficiary, excluding the automatic reply/receipt and/or by asking for a reference/protocol number from the Beneficiary.

In case the Controller asks for clarifications and/or supplementary data, from the Beneficiary, the above deadlines for the examination of the file for control and the potential objections shall be interrupted until the Beneficiary sends a reply, but not more than five (5) working days, as proved by the email communication between the Controller and the Beneficiary. The Unit C of the MA shall always be in copy of all communication.

The Controller could partially or totally agree with the submitted complaint and as a result, he/she drafts accordingly the final Verification Report and the relevant Verifications Control Checklist, as well as the relevant final Certificate of Verified Expenditure, if it exists and all required documentation concerning the First Level Control as applicable. For not acceptable objections, the Controller shall draft an accompanying Letter in which he/she will explain the reasons for rejection. This Letter shall be sent to the Beneficiary through email, with a copy to the Unit C of the MA.

In case the Controller does not agree partially or totally with the submitted complaint, the Unit C of the MA could add this Certificate of Verified Expenditure to the sample of Certificates which shall be checked, in the framework of the Supervision of the First Level Control System (section 5, below).

In any case, if ineligible or irregular expenditure is found during the on-the-spot verification, this expenditure is not verified and is appropriately reported in the Verifications Control Checklist and the (On-the-Spot) Verification Report, together with the appropriate justification, referring to the rules that have been violated.

If for the detected irregular expenditure, any national and/or EU contribution has been paid, then the relevant provisions for the recovery of the unduly paid amounts are activated according with the Joint Ministerial Decision for Financial Corrections, as in force.

4.4 Planning of On-the-Spot Verifications

The purpose is the optimal planning of the On-the-Spot Verifications Programme, which shall be implemented by the Controllers, in order to check the legality and regularity of the declared expenditure and to achieve the timely allocation of verifications preferably during the projects implementation and not after their completion, as it is also suggested by the Guidance for Member States on Management Verifications document (EGESIF 14_0012_02/17-9-2015).

For this purpose, the MA will draw up an "On-the-Spot Verifications Programme" every semester of each accounting year. The "On-the-Spot Verifications Programme" is drawn up taking into account all operations that are under implementation and have incurred expenditure. Specifically, the number of on-the spot verifications per semester is defined as follows:

(a) For the first period, the number of all the operations whose expenditure was administratively verified during the first semester of the accounting year (01/07/v-1 to 31/12/v-1) is defined,

(b) For the second period, the number of all operations whose expenditure was administratively verified in the second semester of the accounting year (01/01/v to 30/06/v), deducting the Operations whose expenditure was verified on-the-spot during the first audit period of the same accounting year.

The aforementioned population every six months excludes the Operations included in the audit program of the Audit Authority (EDEL) and/or the Certifying Authority for the same period.

First of all, the six-month programme identifies the operations which should be definitely checked in accordance with the following minimum criteria:

- Operations of significant budget,
- Operations with a significant level of implementation of their physical object,
- Operations that have encountered problems during their monitoring by the MA/JS and/or according to the relevant Administrative Verification Reports,
- Operations that are expected to be concluded within the year of implementation and have not been verified on the spot in the previous years.
- Operations with beneficiaries that show signs of weakness in implementing approved projects.
- Operations with problems and recommendations in the framework of the Second Level Control (Audit Authority).
- Soft operations for which, because of their nature, few or insufficient evidence is expected to be found after the completion of their implementation.

After identifying the operations which should be definitely checked, a random sample shall be selected and shall cover two requirements at the same time, the 15% of the number of operations and the 20% of the expenditure.

The On-the-Spot Verifications Programmes shall be approved by the Head of the MA. The Unit C of the MA keeps the records that describe and justify the method of project selection and identify the projects to be controlled.

The Unit C of the MA monitors the correct implementation of the "On-the-Spot Verifications Programme" which can be revised at any time and, especially, when findings arise from controls/audits made by other \control/audit bodies or/and previous administrative or on the spot verifications.

5. Supervision of the First Level Control System

5.1 Purpose

The purpose is to continuously ensure the quality of the management verifications, through systematic supervision of the controllers' work. The supervision refers mainly to the assessment/evaluation of the controllers' work, which will be done through a repeating administrative/on-the-spot check/control performed by the Unit C to a sample of Certificates, that is of verifications which have been carried out by the controllers.

5.2 Scope

The assessment/evaluation will be done according to the requirements set by Article 43 of Law No. 4314/2014 regarding the checks which should be performed by Unit C of the MA. This procedure applies to 100% of the registered Controllers in the Registry.

5.3 Description of the procedure

At the beginning of each six-month period, the Unit C of the MA prepares a table of the Certificates of Verified Expenditure which were submitted by the Controllers for the specific Programme (INTERREG IPA II CBC Greece – The Republic of North Macedonia 2014-2020). Then, the Controllers, who shall be checked, are selected based on a specific sample of Certificates. The selection is made using at minimum the following criteria (from the most to the least significant):

- Project budget
- Amount of certified expenditure (the check is conducted only for the cases that the total certified expenditure exceeds 15,000 euros)
- The Controller has issued more than one certificates for a specific project and beneficiary.

The validity of the first level control that was conducted by the Controller is proven by evaluating the quality of the specific checks/controls made during the administrative or/and the on-the-spot verification. Regarding the sample of Certificates, the corresponding files are controlled once more. Indicatively, the following elements are checked:

- Compatibility with the approved Application Form (e.g. investment priorities, thematic priorities and indicators of the Programme etc).
- Adequate publicity regarding procurement procedures according to EU and national law.
- Check of tender documents. Special care is taken regarding the exclusion of candidates by violating the terms of equal participation, inappropriate terms and conditions and exclusion criteria, "photographic" terms and conditions that indicate specific candidates etc.
- Check for the eligibility of expenditure according to the requirements of the Programme and the EU and national law.

Then, the MA records all the findings in a table and evaluates them according to their importance. More specifically, the findings will be assessed according to the following Table 1:

Table 1
Errors regarding the verification of expenditure by the Controller
("quantitative error"/QnE)

Type of error	Weighting factor
1. In relation to the eligible expenditure and the requirements of the Application Form	5%
2. In relation to the publicity of the procurement procedures	15%
3. In relation to the tender documents, especially the criteria for the participation and the selection of tenderers	15%
4. In relation to the eligibility of expenditure according to EU and national law	25%
5. In relation to the regularity of payments	40%

Following the check on the Controller regarding the error rate of the controlled expenditure, a quality check is also performed regarding the compliance of the Controller with the FLC system provisions, according to the following Table 2:

Table 2
Check of Controller Compliance with the FLC System
("qualitative error"/QIE)

Type of Error	Value
1. Correct application of "Verifications Control_Checklist"	Yes = 0, No = 1

2. Respect of the timeframe for the submission of verification documents to the beneficiary	Yes = 0, No = 1
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The final error rate that assesses/evaluates the performance of the Controller (quantitatively and qualitatively) results from the following formula:

$$\text{Controller Error Rate (CER)} = \text{QnE} + \text{QIE no1} * 40\% + \text{QIE no2} * 20\%$$

Based on the Controller Error Rate (CER), the performance of the controller is evaluated according to Table 3.

Table 3
Controller Error Rate (CER) and Assessment

Error rate	Controller Assessment/Evaluation
0 – 0,5%	Excellent performance
>0,5 – 2%	Satisfactory performance
>2 – 5%	First recommendation
>5 – 10 %	Poor performance
> 10%	Negative performance

5.4 Monitoring and Assessment of Controllers

The Unit C' of the MA checks the quality of every Controller's work through the previously described procedure. After the end of a check, an Evaluation Report is elaborated for the Controller regarding the requirements of the first level control. The Controller Evaluation Report includes detailed analysis and full justification of every finding, based on quantitative and qualitative data of the supervision check performed. Especially in case of findings relating to verified expenditure, the Report is accompanied by a Table of Verified Expenditure as processed by the Unit C'. The Report including the Table as well as the relevant material and communication are kept in the record of the Controller in Unit C'.

The Unit C of the MA keeps a record for each Controller in which all data are kept regarding the enrollment and remaining in the Register of Controllers ("MEE INTERREG"), including the assessments made by the Unit C of the MA and the relative results.

The results from potential findings of each Controller's assessment are classified based on the Error Rate and certain actions are implemented by the MA as it is shown in Table 4. Since the checks are performed on specific projects which have already been checked/controlled by a Controller, in case the Unit C finds serious

problems regarding the quality of the relevant verifications, the Unit C' may proceed with exceptional/ad hoc checks on the other projects with expenditure verified by the specific controller.

Table 4: MA Actions based on Controller Assessment

Category	Controller ErrorRate	MA Actions
1	0 - 0,5	Information of the Controller based on potential findings
2	>0,5 - 2	Recommendation to the Controller based on the findings
3	>2 - 5	The Controller must participate in training seminars before he is assigned a new verification
4	>5 - 10	The Controller is excluded for three months and is required to participate again in training seminars on controls and verification of expenditure and take a written examination before he is assigned a new verification. In case of a recurrent Error Rate >5%, the permanent exclusion of the Controller from the Register is examined In case of a continuously or systematically recurrent Error Rate >5%, the Controller is permanently excluded from the Register of Controllers.
5	>10	The Controller is excluded for six months and is required to participate again in training seminars on controls and verification of expenditure and take a written examination before he is assigned a new verification. In case of a recurrent Error Rate >10%, the Controller is permanently excluded from the Register of Controllers.

5.5 Procedures for correcting certificates of verified expenditure

In case the results of the check performed by the Unit C' coincide with the corresponding Verification Report and the corresponding Certificate which has been issued, this is also recorded in the Evaluation Report, which shall be copied to the assessed Controller.

In case the Unit C identifies a problem and mainly in case the controller has verified expenditure that should not have been verified and/or he/she has not verified expenditure that should have been verified, according to national and/or EU rules, the following procedure is followed:

- i. The Unit C forwards the provisional Controller Evaluation Report, including a processed Table of Verified Expenditure, to the Controller, by e-mail. The Controller should acknowledge receipt of the Report. Any objections of the Controller should be sent to Unit C' by e-mail, within five (5) working days from the receipt of the Evaluation Report. The Unit C' takes into account the objections of the Controller and finalizes the Report. The final Report is also forwarded to the Controller.
- ii. Depending on the Controller Error Rate (CER), the Unit C' applies the procedures described in Table 4.
- iii. Regarding the expenditure:
 - a. In case that, according to the final Controller Evaluation Report, irregular or ineligible expenditure is found which has been verified and for which the corresponding national (via the Public Investments Programme /PIP) and/or EU contribution has been paid, the relevant provisions of the Joint Ministerial Decision for Financial Corrections, as in force, are activated.
 - b. In case that, according to the final Controller Evaluation Report, eligible expenditure is found which has not been verified, the Unit C' informs the relevant Beneficiary to include the specific expenditure in the next Request for Verification or to initiate immediately a new verification procedure for this expenditure.

6. Preventive Controls: Pre - Approval of Tendering and Contracting

6.1. Purpose

The purpose of the procedure is to ensure the legality and regularity of the expenditure within the framework of the projects. This will be done through the early detection of failures related to the compliance with the EU and national regulation, during the tendering procedure of each co-funded project (i.e. compliance with the principles of equal treatment, non - discrimination, transparency and competition).

6.2. Scope

The preventive control is carried out in a sample basis and in accordance with the Law 4314/2014 and specifically the art.8, par.1, cases e' and f', the ar.21 ("the MAs carry out legality controls of the tenders, the public procurement procedures and their amendments"), and the Joint Ministerial Decision 3004881/YΔ1244/2016 (YPASYD) as in force. This procedure is performed prior the tender procedure in all the project categories which are implemented with public procurement contracts by beneficiaries based in Greece. The control takes place before the publication of the call for tender as well as before the signing of the contract, in approved tender documentation and draft award of public works contracts, public supply contracts and public service contracts.

The preventive control is not carry out in contracts concluded in the framework of Technical Assistance projects of the Programme.

6.3. Description of the procedure for Pre - Approval of Tendering

6.3.1 Methodology

Following the approval of projects to be co-funded under the Programme by the Monitoring Committee and the signing of Subsidy Contracts in the framework of a specific Call for Proposals per year, the responsible for the Programme Unit B1' of the MA in cooperation with Joint Secretariat of the Programme will draft a Table of projects of the Beneficiaries located in Greece, which are either infrastructure or supplies or services and which are going to be tendered or contracted within the year or within the next twelve (12) months.

The selection of sample of tenders/contracts to be checked will be based on Table referred to the above, which shall include all the individual elements of the relevant project (i.e. project title, budget, tender procurement budget, type of award etc).

The sample shall meet the following requirements:

- 1) It shall contain draft tenders/contracts with budget over €60.000 (VAT excluded) and up to the EU threshold, covering at least the 20% of the total number of projects of the specific category and with budget over the EU threshold, covering the 50% of the total number of projects of the specific category.
- 2) The sample shall contain all types of projects (services, supplies, work) which are referred to in the Table referred to above.
- 3) The sample shall contain every type of Beneficiary e.g. Municipality, Region, Ministry, Chamber, Development Agency, University, NGO, non-for profit private entity etc
- 4) The sample shall give priority to Beneficiaries with high frequency of participation in projects approved for funding by the Programme.

During sample identification, the following assumptions shall also be taken into account:

- 1) The weighting factors per project type:
 - infrastructure project: 30%
 - services: 50%
 - and supplies: 20%
- 2) The weighting factors per type of beneficiary:
 - Ministry – Decentralized Administration: 5%
 - Region: 10%
 - University/Technological Institutions/Research Institutions: 10%

- Municipality-Development Agency-Municipal Water and Sewerage Company: 20%
- Chambers: 20%
- NGOs: 25%
- Other beneficiaries: 10%

The sampling of tenders/contracts to be checked is performed by the Unit B1' of the MA. Each sampling session is recorded in Minutes which is signed by the officer or the officers who carried out the sampling and by the Head of the Unit B1; the sample includes the tenders/contracts that shall undergo preventive control. The Minutes shall be communicated to the Head of the MA and shall be kept in the records of the Unit B1'.

6.3.2 Folder submission by the Beneficiary

The Beneficiary, whose project (work, service or supply) has been selected for control based on the aforementioned methodology, submits a folder to the MA (Unit B1'), prior to the tender procedure, that includes all necessary data and documentation for checking the legality tendering.

6.3.3 Folder Examination

The MA (Unit B1) checks the project's tender documentation based on the institutional and legal framework and the EU and national eligibility rules. The results of the control are recorded in Procurement Checklists.

6.3.4 Ex-ante approval of tender procedure

Based on the Procurement Checklists, the Unit B1' of the MA provides its agreement or its agreement under conditions that the Beneficiary must meet or its negative opinion regarding the submitted data. The opinion of the Unit B1' of the MA shall be communicated to the Beneficiary and copied to Unit C' of the MA and the JS of the Programme. The Unit B1' of the MA provides its opinion within an exclusive time limit of thirty (30) working days after receiving the relevant data, according to the Ministerial Decision 110427/EYΘY/1020/01-11-2016 (YPASYD), as in force. After the expiration of the time limit without the MA providing its opinion, it is considered that it has provided its agreement.

The agreement of the MA or the inferred agreement of the MA is a precondition for the co-financing of the Beneficiary's project and must be clearly referred to in the tender decision, in the contract awarding decision and in all related documents. In case of an agreement under conditions, the Beneficiary must make the appropriate corrections in the tender documents prior to their publication. In case of a negative opinion, the Beneficiary is informed on the actions that must be made in order to get an agreement which have to be completed or/and complementary elements which have to be submitted within seven (7) working days. If the Beneficiary fails to make the necessary corrections or fails to submit all or some of the supplementary elements or submits them after the deadline,

the MA provides its negative opinion. In such a case, the Beneficiary has the right to resubmit the folder that will be examined by the Unit B1' of the MA within thirty (30) working days according to the above described procedure.

The ex-ante approval of the tender procedure, the complete Procurement Control List and the specific justification documents are recorded in the Project File which is kept by the Beneficiary, the Unit B1' of the MA and/or the JS of the Programme. The opinion of the MA for the cases checked shall be binding for the specific Beneficiary and the compliance with the relevant conditions will be controlled during management verification of the relevant expenditure from the Controller.

6.4 Description of the procedure for Contract pre-approval

6.4.1 Submission of a pre-contractual folder by the Beneficiary

Beneficiaries, for all cases that an opinion of the MA on pre-approval (ex-ante) of the tendering procedure has been issued, have to submit to the Unit B1' of the MA a folder with all the proper documentation for the examination of the tender process before the signing of the contract.

A pre-contractual check is conducted also for Beneficiaries, who are located in Greece and have signed contracts before the approval of the project by the Monitoring Committee and the signing of the Subsidy Contract.

In case of implementation by own means, the Beneficiary submits also a draft decision for the implementation of the project by own means before its signing. In case of archaeological projects, a draft decision for the implementation of the project by own means is not necessary to be submitted, but the decision is communicated to the Unit B1' of the MA.

6.4.2 Folder Examination

The examination of the procurement procedure is performed based on the available data and the respective EU and national laws as in force. In case of a public procurement contract regarding preparation costs for the submission of a project proposal to a Call for proposals, the control of the procurement procedure is made during the First Level Control, that is during management verifications.

The results of the check are recorded according to the type of the project checked in Draft Contract Check Lists or in Draft Own Means Decisions Check Lists.

6.4.3 Pre- approval of the draft contract

Based on the complete Draft Contract Check List, the Unit B1' of the MA provides its agreement or its agreement under conditions that the Beneficiary must meet or its negative opinion regarding the submitted data. The opinion provided by the

Unit B1' of the MA shall be communicated to the Beneficiary as well as to Unit C' of the MA and the JS of the Programme. The Unit B1' of the MA provides its opinion within an exclusive time limit of thirty (30) working days after receiving the relevant data. After the expiration of the time limit without the MA providing its opinion, it is considered that it has provided its agreement.

The agreement of the MA or the inferred agreement of the MA is a precondition for the co-financing of the Beneficiary's project. In case of a negative opinion, the Beneficiary is informed for all appropriate corrections/actions to be performed in order for the agreement of the MA to be granted and for the obligation to proceed and/or submit supplementary data within seven (7) working days. If the Beneficiary fails to make the necessary corrections or fails to submit all or some of the supplementary elements or submits them after the deadline, the MA provides its negative opinion. In such a case, the Beneficiary has the right to resubmit the folder that will be reviewed by the Unit B1' of the MA within thirty (30) working days according to the above described procedure.

The pre-approval of the Draft Contract, the complete Draft Contract Checklist and the specific justification documents are recorded in the Project File which is kept by the Beneficiary, the Unit B1 of the MA and/or the JS of the Programme. The opinion of the MA for the cases checked shall be binding for the specific Beneficiary and the compliance with the relevant conditions shall be controlled during management verification of the relevant expenditure by the Controller.

The Republic of North Macedonia

7. Appointment and designation process

The expenditures of the beneficiaries from the Republic of North Macedonia will be verified by the First Level Control (FLC) office at the Ministry of Local Self Government /Sector for EU (Operating Structure). In accordance with Article 23 (4) of Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal each country designates Controllers responsible for verifying the legality and regularity of the expenditure declared by the beneficiary participating in the operation located on their territories.

For the INTERREG IPA CBC Programme "Greece – The Republic of North Macedonia 2014-2020", the FLC on the territory of the Republic of North Macedonia will be performed under a decentralized system by designated Controllers. National Authority established a list with external controllers based on the approved internal methodology.

Recruitment procedure for the First Level Controllers has been carried out according to the national procedure for selection of candidates.

The procedure included:

- pre-selection procedure including: administrative check based on the requested documents,
- examination on English/Macedonian language translation,
- conducting interview Final selection through joint procedure for approval by MA and NA.

The selected Controllers are contracted under Framework agreements. For the purpose of the FLC of a definite LP/PP from NA, a service contract is signed respectively by the NA and designated Controller.

8. Description of the procedure

The designation process includes the following steps:

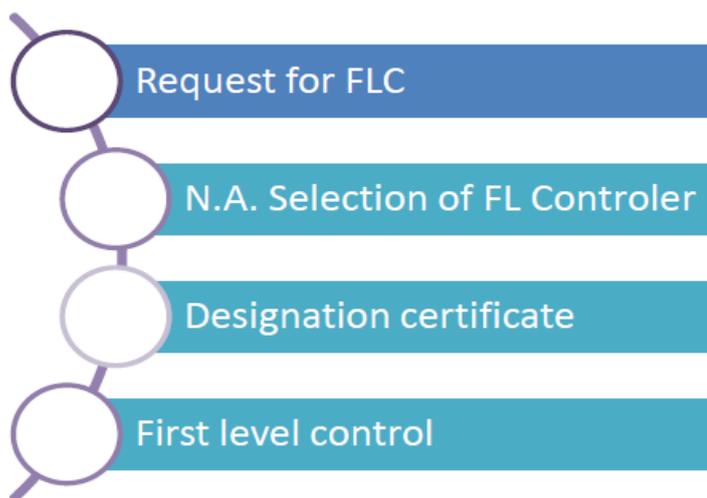
- In order to verify expenditure, the Beneficiary submits to the NA a "Request for Verification of Expenditures" (RFVE) within the deadline specified in the Subsidy contract i.e according accepted MCS rules (a complete file of the paid-out expenditure and supporting documentation in electronic form (or in paper form if the beneficiary can't prepare an electronic file). The table of expenditure must be submitted in paper format if the beneficiary is not able to digitally sign the documents. The Beneficiaries shall submit their applications for expenditure verification at least every semester/trimester and preferably:
 - a. whenever the expenditure reaches 10.000 € for the projects with small budget where the first allocation for pre-financing is up to 10,000 €,
 - b. whenever the expenditures exceed 70% from pre-finance allocated funds where the first allocation is above 10,000 €. The RFVE includes the information regarding sub-tender procedures carried out (per project partner) during the reporting period;

Based on the RFVE, the NA starts its respective FLC assignment procedures within maximum 13 working days. The NA selects controller (contracted previously by Framework agreement) based on alphabetical order principle. NA Financial control officer will compile a list of the controllers, which will be alphabetically lined. The selection of the controller will be conducted as follows: After receiving the request for the first level of control from the project beneficiary, the responsible Financial control officer of NA will select the controller who is first on the list. For each of the following request for the first level control, the responsible Financial control officer of the NA will select a controller who is next on the list. When the list is used, selection process will start from the beginning of the list. If some controllers decline to control assigned project for any reason, next controller from the list will be selected for the same project;

- The Controller confirms back (declines) her/his availability by signing (not signing) the Designation Certificate within maximum of 3 working days;

- The declared lack of conflict of interest in the above-mentioned Designation Certificate is to be checked by the NA. Based on the above the NA prepares a contract between NA and the Controller. NA sends back to the controller the counter-signed Designation Certificate and respective assignment contract – within maximum 5 working days.

On the following flowchart, the process of the designation of the Controller is presented.



9. Type of checks

The Controllers will carry out administrative and on-the-spot verifications according to Article 125 of the of the Regulation (EU)1303/2013, therefore two main types of checks for the implementation of the FLC – documentary and on-the-spot checks are identified:

I. Documentary Checks

When the FLC controller receives the documentation of the expenditure (hard copy or electronic version of the Progress Report and related supporting documents) by the Project Beneficiary, the Controller/s shall initiate the verification of 100% of the expenditure declared, evaluating the provided administrative documents.

The “documentary checks” can be performed by the Controller at its own premises, once received the documentation of the expenditure for verification by the Project Beneficiary (hard and electronic copy version of the supporting documents).

The main issues to be covered here include: the exact name of the Lead Partner (LP), Project partner/s and the sub-contractors; the reporting period; the legality of the procurement procedures (if any); the expenditures declared are real and incurred for the project approved under the respective Programme and supported by invoices or accounting documents with equivalent probative

value; the expenditure declared have been paid by the LP/PP and can be supported by adequate document; the supporting documents submitted are complete, accurate and acceptable as to their form and content; the currency exchange rate used; the description of the product/service/works and the respective quantity are in compliance with the subsidy contract and the respective changes if any; the applicable Value Added Tax (VAT) regime, compliance with the state aid rules and etc.

II. On-the-spot checks - on site of the implementation of the respective activity

On-the-spot checks are an obligatory element of the system for control and verification of the expenditure. They have to be implemented at the beneficiaries and/or on site, where the project activities are implemented and usually when the project is in progress, both in terms of physical and financial progress.

On-spot-checks are aimed at checking: the reality of the operation; the progress in project's implementation; the delivery of products, services and execution of work activities and their usage in full compliance with the project purpose and the approved application; the compliance with Community and national rules on publicity, procurement, state aid rules, equality between men and women, non-discrimination and environmental issues in relevant cases; the accuracy of all information provided by beneficiary regarding physical and financial implementation of the operation; maintenance of a separate accounting system or an adequate accounting code for all transactions relating to an operation; all documents concerning the implementation of the operation to be properly kept and available.

The intensity of the on-the-spot check depends on the nature of the projects in the Programme (or priority) and on the type of documentation sent by the Project Beneficiary. The sample should focus on projects of high value, or on those in which problems or irregularities have been identified previously or, during the administrative verifications, they appear unusual and require further examination (i.e. risk oriented). Respectively, checks will be executed for all:

- operations of significant budget,
- operations with a significant level of implementation of their physical object,
- operations that have encountered problems during their monitoring by the MA/NA/JS and/or according to the relevant Administrative Verification Reports,
- operations that are expected to be concluded within the year of implementation and have not been verified on the spot previously,
- operations with beneficiaries that show signs of weakness in implementing approved projects,
- operations with problems and recommendations in the framework of the Second Level Control (Audit Authority),
- soft operations for which, because of their nature, few or insufficient evidence is expected to be found after the completion of their implementation.

The on-the-spot check should be planned in advance to ensure that they are effective.

For an optimal planning of the on-the-spot checks, which shall be implemented by the Controllers, in order to check the legality and regularity of the declared expenditure and to achieve the timely allocation of verifications, the Financial Control Officer of the NA in coordination with the FLC controller designated for

a specific project, after the first FLC check, and also taking into consideration the project's procurement plan, will draw up an indicative schedule of on-the-spot checks to be performed during the corresponding project life cycle. The schedule of on-the-spot checks shall be approved by the Coordinator (Head of Operating Structure).

Since the on-the-spot checks are mandatory for every single project, at least **one on-the-spot check will be planned to be executed for soft projects** and at least **two on-the-spot checks for investment projects**. These checks should cover all administrative, financial, technical and physical aspects of the project that cannot be verified through the administrative verifications.

Moreover, on-the-spot checks could be executed after diagnosing the need for an exceptional/ad hoc verification due to problems encountered such as indications for violation of EU or national law etc., thus the Financial Control Officer of the NA will inform the Controller for his/her obligation to carry out the on-the-spot verification either following the receipt of a file of the Beneficiary by the Controller or by sending him/her the relevant (electronic) file with the data to be verified. During the on-the-spot verification, in the premises of the Beneficiary or/and in the project implementation site, the Controller could be accompanied by the Financial Control Officer.

Generally, a prior notification of the on-the-spot check should be sent to the Beneficiary 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 during the verification.

However, in some cases, where the reality of the project may be impossible to be determined after the project has been completed, it may be appropriate to carry out the on-the-spot verifications during implementation and without prior notice (e.g. training courses, where timesheets for participants and teaching staff should also be verified).

The Financial Control Officer monitors the implementation of the schedule on-the-spot, however it can be revised at any time and, especially, when findings arise from controls/audits made by other \control/audit bodies or/and previous administrative or on the spot verifications.

10. Responsibilities of controllers

The FLC checks are to be documented by the controllers and the work records are to be retained for audit purposes for at least 5 (five) years after the date of the notification by the Managing Authority (MA) for verified amounts under the request for final payment under the respective project, In order to facilitate the access to the work records of the controllers they are to be stored in FLC section in the MIS.

The controllers have following main responsibilities:

- validation of expenditure incurred;
- validation of the activities;

- preparation of the relevant documents: "Table of verified expenditures", "FLC Checklist", "Individual Time Sheet", "FLC report" and "Certificate of verified expenditures", as well accompanying list of Invoices and contracts (*according to the template in the MCS package*);
- signing a "Certificate of verified expenditures" - by signing this document the controller validates only the eligible expenditures, specifies the ineligible and declares the proper use of funds.

The FLC controllers have the obligation to implement a strict control about any change of circumstances declared by the beneficiary regarding the presence/lack of an economic nature of the activities, aiming to prevent/identify state aid rules violations. If such situation is identified it should be reflected in the report template and immediately reported to the Territorial Cooperation Management Structure of NA through submission of irregularity signal. The signal must be examined following the irregularity procedure set in the Programme Manual.

11. Verification process

Expenditure must be validated within maximum period of 45 working days from the date of submission of the Request for Verification of Expenditures from the Lead partner / Project partner according to the subsidy contract

The timing process is as follows:

A. Considering that the process of the designation of the Controller covers a period of maximum twenty one (21) working days, as described in section 8, in both types of checks for the implementation of the FLC (administrative or on-the-spot), the verification procedure of respective project beneficiary must be validated within maximum twenty four (**24**) **working days** after the controller is been assigned. The controller verifies at 100 % the expenditure presented by the project partner on the basis of the invoices or accounting documents of equivalent probative value, verifies the delivery of the products and services, the soundness of the expenditures declared, and the compliance of such expenditures with Community rules and relevant national rules. In case an on-the-spot check is performed, the verification cannot exceed two (2) working days from its start.

B. The draft "First Level Control Report", the relevant Checklist and the "Certificate of Verified Expenditure", if exists, shall be sent to the Beneficiary within seven (7) working days after the end of the documentary / on-the-spot verification, via email with a copy to the Territorial Cooperation Management Structure at the NA.

C. The Beneficiary can submit a complaint to the Controller within five (5) working days after receiving the aforementioned documents, as proven by the date of the e-mail sent to the Controller with a copy to the TCMS at the NA. Acknowledging receipt of the aforementioned documents is a responsibility of the Controller and shall be done by a follow- up email, besides the automatic reply/receipt.

D. The Controller within five (5) working days after receiving the complaint, shall examine it and send to the Beneficiary with a copy to the TCMS at the NA, the "Table of verified expenditures", "FLC Checklist", "Individual Time Sheet", "FLC report" and "Certificate of verified expenditures", as well all supplementary documentation concerning the First Level Control. The submission of the "FLC Report" and the relevant documents shall be done in the form of electronic mail,

delivery by courier and by postal delivery effected by way of registered letter and acknowledgement of receipt. In any case, acknowledging receipt of the aforementioned documents is a responsibility of the Controller and shall be done by a follow-up email, besides the automatic reply/receipt and/or by asking for a reference number from the Beneficiary.

E. In case the Controller asks for clarifications and/or supplementary documents, from the Beneficiary, the above deadlines for the examination of the file and the complaints shall be interrupted till the Beneficiary sends a reply for a maximum of five (5) working days, in accordance with the email communication between the Controller and the Beneficiary. The TCMS at the NA shall always be in copy.

The Controller could partially or wholly agree with the submitted complaint and accordingly he/she drafts the final Verification Certificate, as well as the "Table of verified expenditures", "FLC CheckList", the relevant Final "FLC Report" and all supplementary documentation concerning the First Level Control. For not acceptable objections, the Controller shall draft an accompanying letter in which he/she will explain the reasons for rejection. This letter shall be sent to the Beneficiary through email, with a copy to the TCMS at the NA.

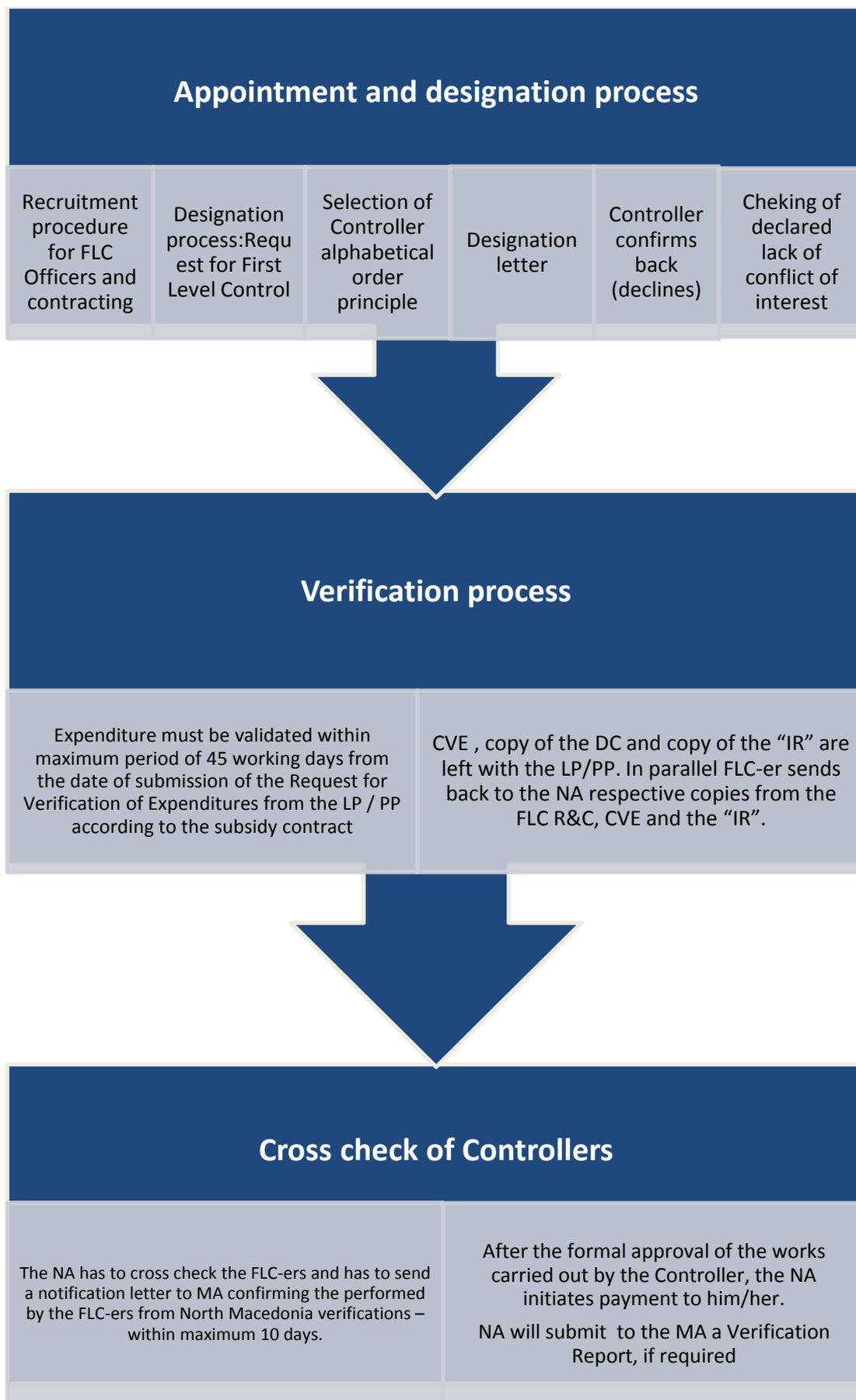
In any case, if ineligible or irregular expenditure is found during the verification process, this expenditure will not be verified and will be appropriately documented in the Control Check List and the Verification Report, in the light of the provisions that have been infringed.

12. Cross check of Controllers

The NA has to cross check the Controllers from the Republic of North Macedonia and has to send a notification letter to MA confirming the performed by the Controllers from the Republic of North Macedonia verifications – within maximum 10 working days.

After the formal approval of the works carried out by the Controller, the NA initiates payment to him/her. In case of the Controller's work is a subject of detailed cross check the payment may be initiated after the cross check is concluded.

The Verification process (First Level Control) in the Republic of North Macedonia is presented on the following diagram.



13. Supervision of the First Level Control System

13.1 Background and purpose

Following the EU Regulation No. 1303/2013 and the appropriate article 125, the National Authority as complementary Programme Body of the "INTERREG IPA Cross Border Cooperation Programme between Greece and the Republic of North Macedonia 2014-2020", in cooperation with the Managing Authority, contributes to the verification process ensuring that the co-financed activities and results have been delivered and that expenditures declared by the project beneficiaries have been paid and that it complies with applicable law, the operational programme and the conditions for support of the operation.

The National Authority will monitor and control the performance and quality of the FLCs on its territory, and implement corrective measures, if needed. The supervision by the National Authority and the designated Financial control officer will be carried out in order to verify the existence and, the quality and validity of audit trail conducted in the IPA country by the designated controller. The same will contribute to the accuracy of the expenditure verifications conducted and initiate corrective actions, if needed.

The National Authority, with purpose of continuously ensuring the quality of the management verifications, will perform systematic supervision of the controllers' activities and outcomes (applied at least once to all of the registered FLC Controllers in the FLC registered pool during the Programming Period), which will consist in assessment of the controllers' work through:

- an administrative control of the outcomes and certificates submitted by the FLC controllers;
- carrying out on-the-spot check at the project beneficiary's sites.

The supervision of FLC performance is an independent, objective and reliable examination of whether FLC activities are carried out in accordance with the principles of efficiency and effectiveness, and whether there is room for improvement. Subsequently, it will contribute towards achievement of high quality in performance of FLC tasks described in the Manual prepared by the National Authority, particularly having in mind its own responsibility regarding implementation the principles of sound financial management.

13.2 Timing

The NA ensures that control reports and checks, including the on-the-spot-checks, will be conducted on time as the time schedule included in the approbation contract. Following options will be taken into account for carrying out the monitoring and control the FLC performance:

- a. Timeline set included in approbation certificate, and
- b. Commitment required from FLC during approbation.

Within the activities of monitoring and control the FLC performance, the NA will also ensure that on-the-spot-checks will be carried:

- upon request / complaint by the beneficiary

Randomly, based on criteria –described in methodology (13.3)

13.3 Methodology

The responsible Financial control officer prepares a table of all the Certificates of Verified Expenditure issued for each six-month period related to the verified expenses of the project beneficiaries of the Programme "INTERREG IPA II CBC Programme Greece – the Republic of North Macedonia 2014-2020".

From the prepared table, it will be selected randomly the FLC controllers who are going to be checked and their performance to be evaluated. The responsible Financial control officer in coordination with the Head of the National Authority, will use specific criteria for selection of the controllers to be supervised, particularly taking into account following:

- Project partner’s budget;
- Amount of the issued Certificate of Verified Expenditures, where the priority will be the cases with higher certified expenditures
- If are issued more than one certificates for a specific project and beneficiary by specific FLC controller.

During the Supervision, the Financial control officer will check:

- Compliance and Compatibility of the issued Certificate of Verified Expenditures with related invoices and bills with the project beneficiaries;
- Compatibility of the actions carried out by the project beneficiary with the approved Application Form and fulfillment of the thematic priorities and indicators of the Programme, etc).
- Adequate publicity regarding procurement procedures according to EU and national law.

13.4 Findings

The Financial control officer reports all the findings to the Coordinator (Head of Operating Structure) in a table and evaluates them according the type of errors, quantitative and qualitative errors, and to their importance. More specifically, the findings will be assessed according to the following Table:

Table 1. for errors at the verification of expenditure by the Controller

I. Quantitative type of error (QnE)	Weighting factor
1. In relation to the eligible expenditure and the requirements of the Application Form	20%
2. In relation to the eligibility of expenditure according to EU and national law	20%

3. In relation to the publicity of the procurement procedures	20%
4. In relation to the regularity of payments	40%
II. Qualitative type of error (QIE)	Value
5. Correct application of "Verifications Control_Checklist"	Yes = 0, No = 1
6. Respect of the timeframe for the submission of verification documents to the beneficiary	Yes = 0, No = 1

The formula for calculation of the final error rate of FLC Controller's performance is as follows:

Controller Error Rate (CER) = Sum of QnE + (QIE 5 * 40%) + (QIE 6 * 20%)

Calculated result of the Controller Error Rate (CER) will be rated according following Table.

Table 2. Controller Error Rate (CER) and Assessment

Error rate	Controller Assessment/Evaluation
0 – 0,5%	Excellent performance
>0,5 – 2%	Satisfactory performance
>2 – 5%	Mediate recommendation
>5 – 10 %	Poor performance
> 10%	Negative performance

Standard of verification is expected to be high to prevent any irregular expenditure being claimed. As a guide, the European Commission considers any errors above 2% of the expenditure verified as material. The work of the FLC is also subjected to higher level audits (IPA Audit Authority) in the frame of the Second Level Control. FLCs would be expected to fully co-operate with these audits.

To ensure high quality management and control of allocated Programme funds (EU and national contribution), high quality checks are expected. It is expected from the FLC that they will produce correct verification of payment claims.

The European Court of Auditors DAS Methodology sets out that an error rate exceeding 2% attests that a system is materially affected by error. Therefore it is expected that the second level of audits undertaken on the project expenditure to identify an error rate that is below 2%.

After receiving the report, the coordinator sends it to MA.

13.5 Assessment of Controllers and corrective actions

The Financial control officer prepares an Evaluation Report elaborating the FLC performance based on quantitative and qualitative data of the supervision check performed. Consisting part of this report is the Table of Verified Expenditure

submitted by the FLC controller. The scoring performance is kept in the Register of Controllers at the National Authority.

The results from potential findings of each Controller's assessment are classified based on the Error Rate and certain actions are going to be implemented by the National Authority. If serious problems are identified by the Financial control officer, the Financial control officer will proceed with exceptional/ad hoc checks on the other projects with expenditure verified by the specific controller.

The Financial control officer and NA undertakes the following actions based on Controller Assessment and achieved scoring:

1. Achieved score 0 – 0,5 %, Corrective action: Information of the Controller based on potential findings;
2. Achieved score >0,5 – 2, Corrective actions: Recommendation to the Controller based on the findings;
3. Achieved score >2 – 5, Corrective actions: The Controller must participate in training seminars before he is assigned a new verification;
4. Achieved score >5 – 10, Corrective actions: The Controller is excluded for three months and is required to participate again in training seminars on controls and verification of expenditure and take a written examination before he is assigned a new verification.
5. Achieved score >10, Corrective actions: The Controller is excluded for six months and is required to participate again in training seminars on controls and verification of expenditure and take a written examination before he is assigned a new verification.
6. In case of a recurrent Error Rate >10%, the Controller is permanently excluded from the Register of Controllers.

13.6 Corrective actions

During the supervision of the FLC performance, the Financial control officer could identify issues as:

- the controller has verified expenditure that should not have been verified, and/or
- he/she has not verified expenditure that should have been verified, according to national and/or EU rules.

In such cases, the following corrective actions will be followed:

- i. Step 1: The Financial control officer will communicate with the FLC controller and submit the Draft Evaluation of FLC performance together with the processed Table of Verified Expenditure in order to receive clarification for identified issues within 5 (five) working days. Based on the clarifications received, the The Financial control officer finalizes the Report and forward to the Controller.
- ii. Step 2:

- a. Option 1: In case that, according to the final Controller Evaluation Report, irregular or ineligible expenditure is found which has been verified and has been paid, the relevant Programme provisions for Financial Corrections, as in force, are activated.
- b. Option 2: In case that, according to the final Controller Evaluation Report, eligible expenditure is found which has not been verified, the The Financial control officer informs the relevant Beneficiary to include the specific expenditure in the next Request for Verification or to initiate immediately a new verification procedure for this expenditure.

14. Training of the FLC controllers

With a purpose of smooth operations of the established FLC system, the NA in cooperation with the Managing Authority and Joint Secretariat will carry out training activities ensuring further capacity of the selected FLC controllers and contributing to the quality of the management verifications, as well towards efficient project's activities and outcomes.

Timing of the trainings supporting the FLC controllers can be divided according:

- a. the phase of project implementation
 - before the first validation of expenditure, and
 - during the project implementation, through meetings or seminars
- b. the place of training
 - organized group meetings or seminars;
 - scheduled individual personal meetings;
 - provided instructions via e-mail or telephone, and
 - through preparation of guidance notes.

15. Information module

The NA will develop information module for collection and storing data on the expenditures of the projects for each reporting period. It can generate different reports on the projects financial implementation.

This module ensures appropriate transfer of information about the requested verifications, performed verifications by Controllers and control mechanisms. It shall allow the information about the FLC and all respective correspondence with beneficiaries to reach all involved parties and shall maintain appropriate audit trail of the FLC. The module shall store information such as requests for FLC, invoices, procurement documentation and possibly others. Information about financial cuts (including reasoning) must be included in the additional columns of the list of expenditure. The work of FLC is documented in a control report and/or checklist (either directly in the system or uploaded as unstructured data file). FLC reports and checklists must be downloadable. FLC finalises their verification and confirms eligible expenditure in a form of FLC certificate.

This module consists of two sections:

A. FLC

Contains information on aggregated project data per budget line, the budget goals and the planned spending; automatic generation of FLC Certificates (report based on template, editable, exportable, configurable). These certificates must be pre-filled using information from

the currently valid version of the application form. The Template of the FLC Certificate must be editable /configurable; A table containing the following information must exist: project number, project partner, country, on-the-spot check (Yes/No), comment, start date of the examination, end date of the examination, place (project partner, project event, physical project output), authority (FLC, JS, MA, CA, AA); This table must allow adding attachments. Configuration of input forms for different project types and calls concerning visibility and edit ability of input fields.

Additionally, this section provides:

- A summary table of expenditures presenting aggregated information from all project partners. This table must show the different budget lines.
- Separate tables of expenditures per project partner are available and contain the following columns: budget line, requested amount, invoice requisites – number, date, units, unit rate, etc., attachment – free format upload of the respective document, approved aggregated amount (FLC), comment (FLC), approved amount (MA) comment (MA), approved amount (CA), comment (CA).
- The FLC report and appeal declarations and the results of the appeals
- The progress of the examination is clearly visible at any time by highlighting the currently active step.
- After each step of the examination an approval (with date) is stored. This approval allows for processing the project report by the next authority.

B. Payments section

1. Once all examinations by the authorities are done and the payment is approved and carried out the date of the payment per funding source is stored.
2. The payment module must deduct recoveries/withdrawals from the payment claim. The amount to be recovered /withdrawn must be visible.
3. Design and customization of inquiry tables, based on chosen criteria;
4. Generation of inquiry tables, based on chosen criteria.

Supervision of the FLC Systems functioning by the Managing Authority

Both Greece and the Republic of North Macedonia are responsible to ensure the well-functioning of their FLC systems and compliance with Interreg IPA CBC Greece – the Republic of North Macedonia 2014-2020 Programme rules.

Nevertheless, in order to enable continuous observation of the functioning of the FLC systems, the Unit A of the MA has developed the "First Level Control Follow-Up Form (Annex 1.2_C_T3), which will be used as the main tool for supervision, by the MA, of the FLC Systems in both Greece and the Republic of North Macedonia. This Form shall be filled in by the bodies responsible for supervising the work of the first level Controllers in each country, according to the above description of each FLC system and the completed Form shall be submitted to the Unit A' of the MA, every semester. In this Form, there should be recorded information on the following items:

- Confirmation that the organization and operation of the First Level Control System of each country is in line to its description in the present MCS as in force,
- Information on (implemented/suggested/planned) modifications of the FLC as described above, if any,
- The findings of quality checks/supervision on the work of the controllers of each co-operating country and the measures taken,
- A summary of all findings of the previous semester, preferably grouped in categories of similar findings, indicating those that may have an impact on the MCS and the measures taken as well as the findings of the On-the-Spot verifications of the previous semester and
- The planning of the On-the-Spot verifications of the following semester.

Measures to achieve the proper functioning of the FLC systems should be described in this FLC System Follow-up Form and may comprise training, guidance, quality checks of the work carried out by the body responsible for the Controllers. Partner countries are invited to report every semester to the MA on the quality assurance measures actually implemented.

The Unit A' of the MA could also organize on the spot visits for checking the functioning of the First Level Control systems, as described in the present MCS as in force.

Eventually, the Unit A of the MA will perform the FLC Confirmation for each cooperating country, which shall assess and confirm the functioning of each FLC, including also potential measures already taken. In order to do so, the Unit A' will take into account:

1. The "FLC Follow-Up Form (Annex 1.2_C_T3), submitted by the body responsible for the FLC in the specific country.
2. The "Audit Recommendations Follow-Up" Form (Annex 1.2_d_T4), submitted by the Unit B1' of the MA.
3. The results from any on-the-spot visits to check the functioning of the specific FLC.

The FLC Confirmation procedure shall be performed every semester, by filling in the FLC Confirmation Form (Annex 1.2_e_T5).

If, during the FLC Confirmation process, the MA (Unit A') identifies deviations from the MCS in force and depending on the extent and significance of the problem, the FLC Confirmation Form should include a proposal for corrective actions, such as the following:

- Organize meetings to resolve specific issues and/or propose corrective measures and monitor their implementation within set deadlines, in case the FLC system works well and requires little or some improvements,
- Draw up an Action Plan, in which a coherent series of actions/corrective measures should be foreseen to be implemented by the FLC System body and/or the MA itself, within specific deadlines, in case there is a need to address core weaknesses or shortcomings in the FLC system.

The FLC Confirmation Form, completed by the Unit A', shall be submitted to the Head of the MA. The conclusions of the FLC Confirmation process will then be communicated to the body/unit responsible for the FLC System concerned as well as to the Unit B1' of the MA, in order to influence the content of project guidance, FLC guidance documents, FLC checklists, trainings (project partners and FLCs) and the programme risk evaluation procedure.

In case of fraud indications and/or cases related to the FLC, the procedures described analytically in Annex 4 of the MCS shall be applied.

Transition Phase

In any case, until the development and adjustment of the MIS to the Interreg Programmes' needs for the current programming period (transition phase), all the expenditure and relevant operations were recorded to the Accounting System by the JS and were validated by the MA, using the current MIS structure of the NSRF.

The new (adjusted) MIS is considered adequate and in place. However, as the MIS is still developing, further improvements may be needed. The Description of the MCS of the Programme shall be updated accordingly.

Adjusted FLC Methodology During the COVID 19 Pandemic Phase

Under the social distancing and/or the lockdown measures in the cooperating countries because of the covid-19 pandemic and within the framework of the Programme Management and Control System (MCS) as in force, the Managing Authority suggested specific flexibility rules for verifications, taking into account that "quality" of verifications should not be put at risk. The MA **suggested six (6) adjustment points which considered applicable within the framework**

of the First Level Control System of the cooperating countries as described **in the MCS in force.**

The communication between the competent authorities took place between April 9th and 15th, 2020 and concluded with the approval/acceptance of the suggested six (6) adjustment points, which are the following:

1. Exceptionally during the COVID-19 lockdown/restriction period on national level and starting from the first semester of 2020, the on-the-spot verification for all projects is not considered compulsory.
2. In case of on-the-spot visits planned for the first semester 2020, the FLCs should get sound proof of the implementation of the physical object of the operation by any means which may be applied remotely and provide proof of implementation beyond doubt. These means depend on the nature of each project and may indicatively be photographs and/or videos and/or live (skype) connections accompanied by officially signed declarations from beneficiaries, full package of officially/formally accepted deliverables of studies, officially stamped and signed scanned proof for external expertise services and/or official timesheets and so on. A specific comment should be made in the "Certificate" and/or the "Verification Report, declaring that, even though the verification was desk based is considered equivalent to "on-the-spot verification". In case of doubt regarding the actual project implementation, the Controller should not proceed, using the above procedure and in cooperation with their national FLC authority and the MA must reschedule the on the spot visit. Regarding the MIS procedures, the Controller follows the same approach according to the guidelines for the on the spot checks.
3. In any case, the Managing Authority reserves the right to request specific on-the-spot verification visits to be performed when the lockdown/restriction period is officially terminated on national level.
4. Administrative verifications will be continued via the MIS. The derived documents "Certificate of verified expenditure" and "Verification Report" are not signed and stamped by the Controllers. The official MIS electronically produced stamp on these documents is considered sufficient proof of FLC originality.
5. With the consent of the FLC body of the concerned country, not signed documents will be exceptionally accepted by the Controllers during the lockdown/restriction period in the concerned country. In these cases, the "not signed" documents should be always accompanied by an email from the signatories and an official "Declaration of Authenticity" from the concerned project partner, ensuring the correctness and originality of the specific documents. The Managing Authority shall provide a common Template for "Declaration of Authenticity" to be used by beneficiaries of the cooperating countries, for this purpose. In any case, signed documents should be provided when possible or should be provided as soon as this is possible.
6. All the above also apply for the FLC Supervision procedures of each country.

It was also agreed that the above adjustments **should initially apply for the first semester 2020, while before the end of June 2020, the situation will be re-assessed for potential extension.**

Remote Verification

The fact that the (general) lockdown, due to the coronavirus, has lasted longer than initially estimated in the cooperating countries has had at least two very significant implications for Programme implementation:

- On the one hand, it has affected (more or less) smooth project implementation.
- On the other hand, it has resulted in the accumulation of projects piling up for on-the-spot verification, in the middle of 2021, that is when closure procedures for the 2014-2020 Programmes have already started.

Taking for granted the need for a realistic and safe resolution of the above issue, in order to facilitate smooth "closure" of the Cooperation Programme INTERREG IPA III CBC "Greece-Republic of North Macedonia" 2014-2020 and following consultation with the Audit Authority, the Managing Authority accepts "Remote Verification" to be performed instead of "On-the-spot Verification", in specific cases and under specific terms and conditions, as presented here below:

1. **"Remote Verification" may potentially replace "On-the-spot Verification" and be performed when allowed by the nature of the projects**, via any appropriate means decided by the Controller, exploiting, among others, the "E-Cohesion" provisions, too. The conduct of a "Remote Verification" should be clearly referred to in the relevant Report which is drawn up by the Controller.
2. The objective of "Remote Verification" is to verify the delivery/provision of co-funded products and services, the incurring of declared (for reimbursement) expenditure and their compliance with the terms foreseen by the European Commission Decision on the Approval of the Programme.
3. In order to ensure reliability of the specific procedure as well as avoid unjustified generalized application in cases where on-the-spot verification is feasible and mostly necessary (e.g. because of the nature of the project and/or following a complaint, etc.), for performing "Remote Verification", the following shall always apply:
 - It is performed **only if** the Controller suggests that he/she can ensure adequate access to deliverables and to the object "to be examined" in general.
 - It is performed by any appropriate means of remote access decided by the Controller such as, indicatively, teleconference, live connection with the in-charge representatives of the beneficiary or other means of information technology for remote access to the necessary data or data exchange.
 - During a "remote verification", it should be possible to have a demonstration of the controlled physical object and/or a (remote) tour/visit to it, as appropriate or, depending on the nature of the project, just access to it, via remote access to archives, databases, websites, etc.
4. **It is noted that**, in case of projects for which an on-the-spot verification is necessary (ex. because of the nature of the project, such as major public investments projects and/or following a complaint, etc.), a real on-the-spot verification should be performed as soon as this becomes possible, such as after coronavirus lockdown measures are lifted.

Legal Framework

- Regulation (EU) 1303/2013
- Commission Delegated Regulation (EU) No 481/2014
- Greek Law No 4314/2014
- Joint Ministerial Decision No. 300488/YΔ1244 (Official Government Gazette No. 1099/B/19-4-2016): Management and Control System of European Territorial Cooperation Programmes
- **GR** Ministerial Decision No. 109283/EYΘY1012 (Official Government Gazette No. 2362/B/04-11-2015): Restructuring of the Special Service Managing the "European Territorial Cooperation" Objective Operational Programmes
- **GR** Ministerial Decision No. 301005/YΔ3953 (Official Government Gazette No 3043/B/22-09-2016): Ministerial Decision for the establishment of a Registry for the Verification of Expenditure of Greek Beneficiaries.
- Law on Audit of Instrument for Pre – Accession Assistance (IPA) (Official Gazette of the FYROM No. 66/10, 43/14, 154/15 and 27/16)

