

Guidance on risk-based management verifications in 2021-2027

12 May 2022 | Online, Zoom

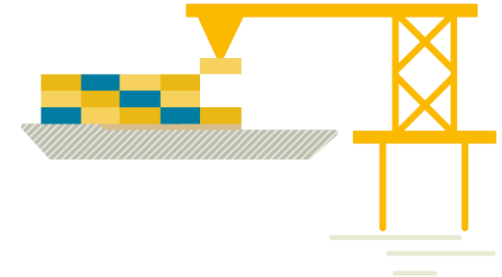
“How to” guide - HIT



Interact

Objectives

- Changed nature of the management verifications in 2021-2027
 - *risk-based & proportionate* to risks identified *in advance*
- Short guide with hints and recommendations on how to develop a methodology for risk-based management verifications



Risk-based management verifications - process



Step 1. Risk assessment - analysis of the programme historical data to identify risk factors



Beneficiary

- Type, legal status, ownership structure, experience, capacity to implement projects ...

Projects

- Small-scale, regular projects, projects with infrastructure, soft projects ...

Payment claim

- First payment claim, claim > X% of the claim budget ...

Items within payment claims

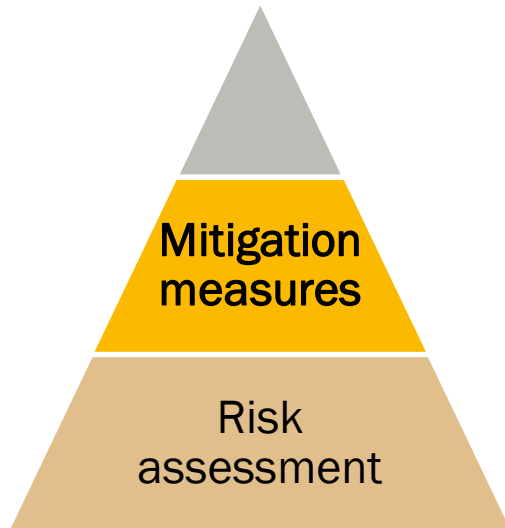
- Public procurement expenditure, risk of specific cost category ...

Risk assessment – hints

- Build your risk assessment on solid data (e.g., data from projects' monitoring, findings from audits on the operations, data on financial corrections and irregularities, etc.) – don't use assumptions!
- When to do a risk assessment?
 - Project selection could be a risk assessment itself (with a decision on the selection/ rejection of a project).
 - Project appraisal (selection): formal/ informal risk assessment.
 - Risk assessment during the verification of the payment claims.



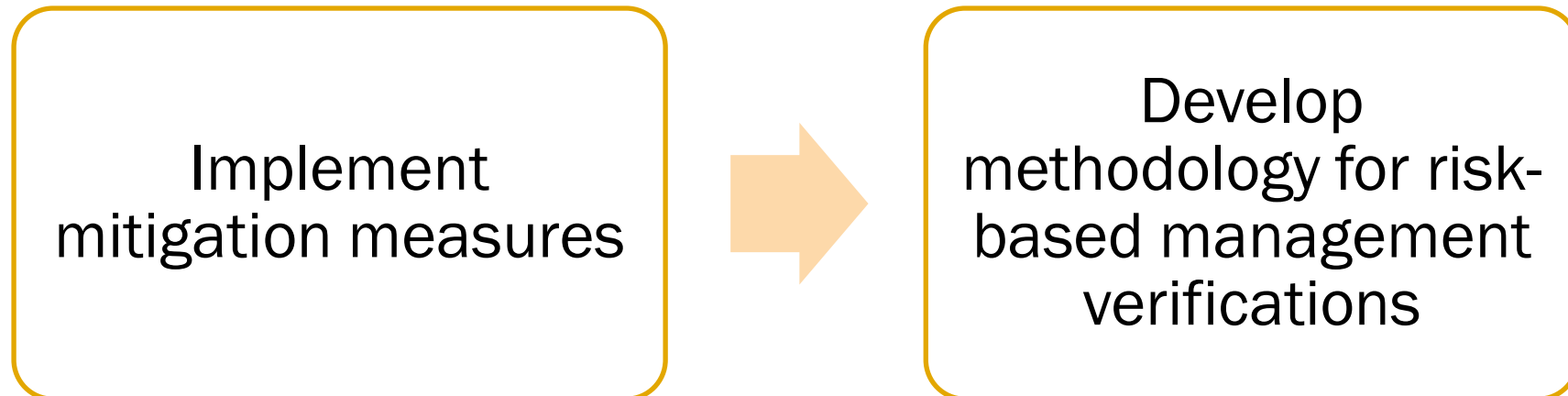
Step 2. Mitigation measures to reduce risks



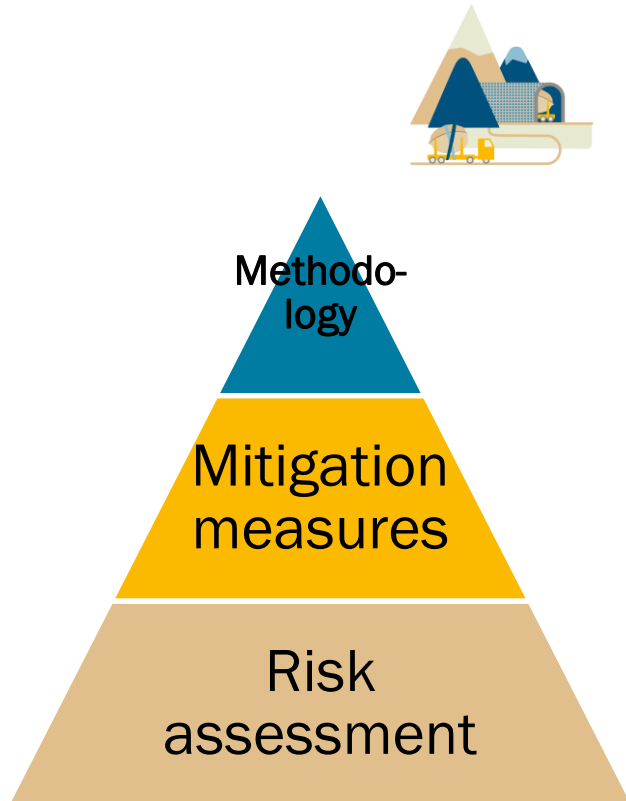
- Reducing the number of options to reimburse certain cost categories:
 - extensive use of SCOs: lighter reporting, audit trail, lower risks!
- A single e-centralised IT system used by programme bodies and beneficiaries:
 - elimination of paper versions, e-signatures ...
- Lighter Application Form/ Lighter reporting templates
- State Aid (dedicated for Interreg Article 20/ 20a GBER)
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- *SCOs are not The Only simplification measure!*

Mitigation measures – hints

- Amend your programme procedures and rules to embed as much as possible mitigation measures, only then proceed with the risk-based management verifications to address remaining risks!



Step 3. Build your methodology



1. Decide on the **level** of management verifications:
 - projects/ beneficiaries/ payment claims
2. Decide on the **criteria** for selection of projects/ beneficiaries/ payment claims:
 - certain projects/ beneficiaries/ payment claims
3. Establish **principles** for risk-based management verifications:
 - rationale: risky elements/ more error-prone – to be verified, not risky items – not to be verified
4. Establish principles for the **extension of the sample**
5. Decide on principles for the **update of your methodology**

Principles for risk-based management verifications

- ideas

- Full verification of risky items, no verification of not risky items
- Random sampling for all items
- Full verification of risky elements + random sampling
- Full verification of risky items + professional judgment
- Verifications based on the risk scores:
 - score 1 (low risk) – X % of payment claim to be randomly selected and checked (e.g., 10%)
 - score 2 (medium risk) – Y% to be verified (e.g., 30%)
 - score 3 (high risk) – Z% to be verified (e.g., 50%)
 - score 4 (very high risk) – e.g., 100% verification



Extension of sample for verifications - ideas

- Errors in the main sample – extension to items of similar nature (e.g., same cost category, same partner, same activity);
- Random sampling of additional items (random selection);
- Increasing % of the items to be checked;
- 100% verifications if more errors are found.



Update of the methodology - ideas

- Periodical updates of the MAs methodology – based on the number of errors found in sampling – results of administrative and on-the-spot checks, results of the AAs system audit (KR4), and audit of operations;
- Updates of the methodology based on external factors, etc.



Cooperation works

All materials will be available on:

[**www.interact-eu.net**](http://www.interact-eu.net)

