

**Interreg  
Europe**



European Union | European Regional Development Fund

# **Risk-based methodology Interreg Europe state of play**

12 May 2022 | Interact workshop

# Starting point

- CPR – Art. 74 “*Management verifications (...) shall be **risk-based and proportionate** to the risks identified ex ante and in writing*”.
- Where do you identify the risks? At programme, or Partner State level?
- How to proceed in a programme with 27 EU Member States and Norway, and over 2,000 partners?
- Objective : keep it simple and straightforward !



# Preparation of joint strategy for Interreg Europe

1. HIT Working Group
2. Internal discussions
3. Analysis of the FLC corrections from the 2014-2020 statistics
4. External support from audit firm
5. Feedback from controllers & approbation bodies



# Analysis of FLC corrections from 2014-2020

- a) By partner legal status
- b) By partner role
- c) By type of check
- a) By progress report number
- b) By budget line
- c) By reason for correction

# Analysis of FLC corrections from 2014-2020



a) By partner legal status

*Are private partners likely to make more mistakes than public partners ?*

→ No difference

# Analysis of FLC corrections from 2014-2020

## b) By partner role (LP/Project Partner)

*Are corrections more frequent for Lead Partners than for regular partners ?*

→ Lead partners have slightly more / higher FLC corrections than regular partners

→ Statistically not significant

# Analysis of FLC corrections from 2014-2020

## c) By type of check

*Do on-the-spot checks detect more errors than desk checks?*

- Desk checks remove slightly higher amount and more often than on-the-spot checks
- Statistically not significant

# Analysis of FLC corrections from 2014-2020



d) By progress report numbers

*Are the earliest reports likely to include more errors than the later ones?*

Initial thought that first PRs are more prone to error  
However, initial spending limited, really starting from PR3

→ Statistically, no clear trend



# Analysis of FLC corrections from 2014-2020



e) By cost category

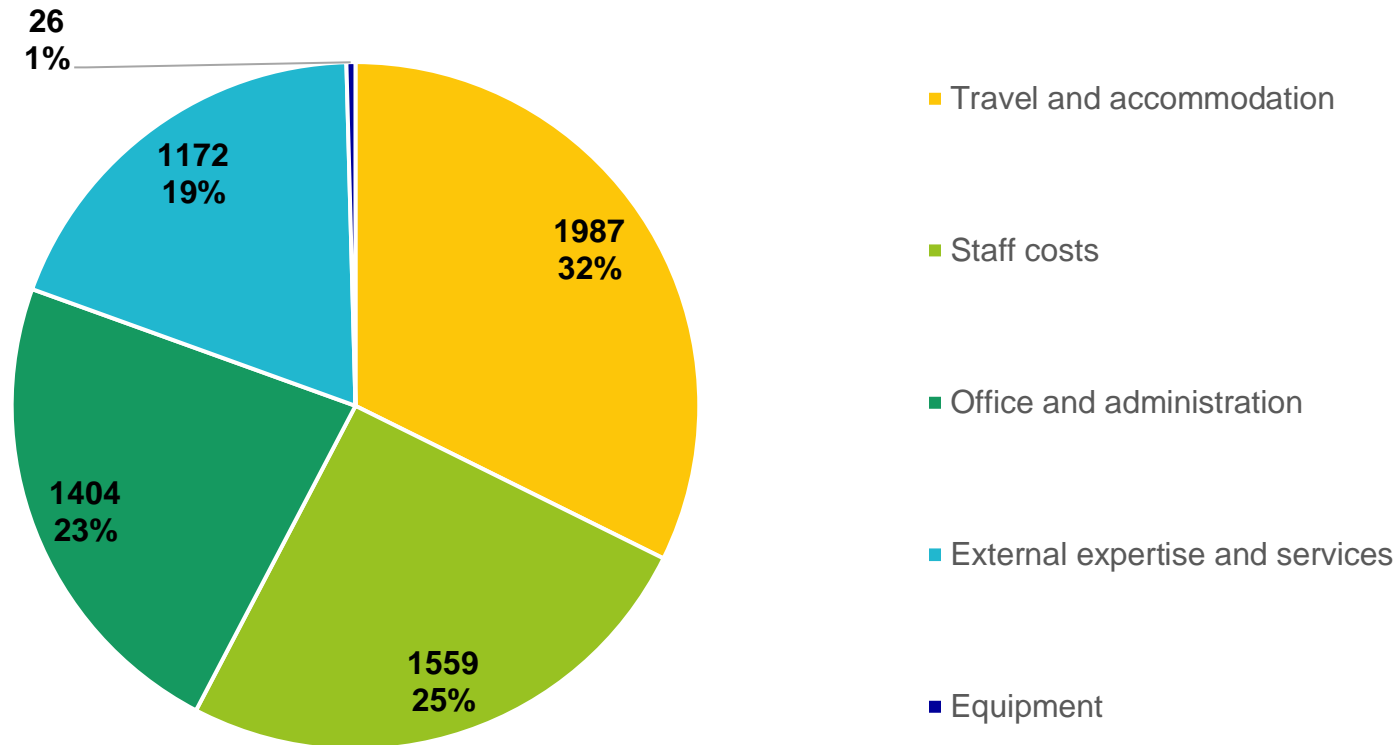
*For which cost category FLC detects the most errors?*

*For which cost category are the amount of corrections higher ?*

# Analysis of FLC corrections from 2014-2020

## e) By cost category

*On which cost category do we see the most corrections?*



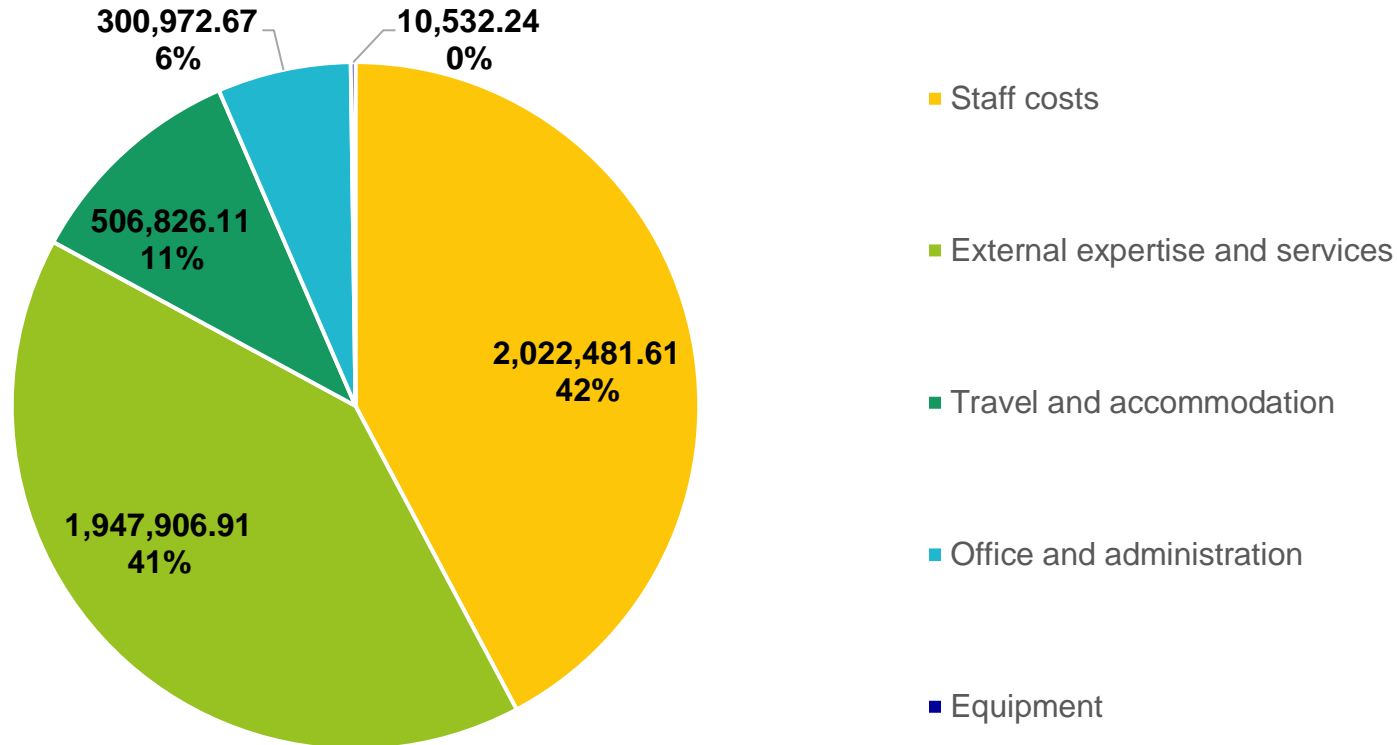
Number of FLC corrections by cost category

# Analysis of FLC corrections from 2014-2020



## e) By cost category

*On which cost category are the financially highest corrections?*

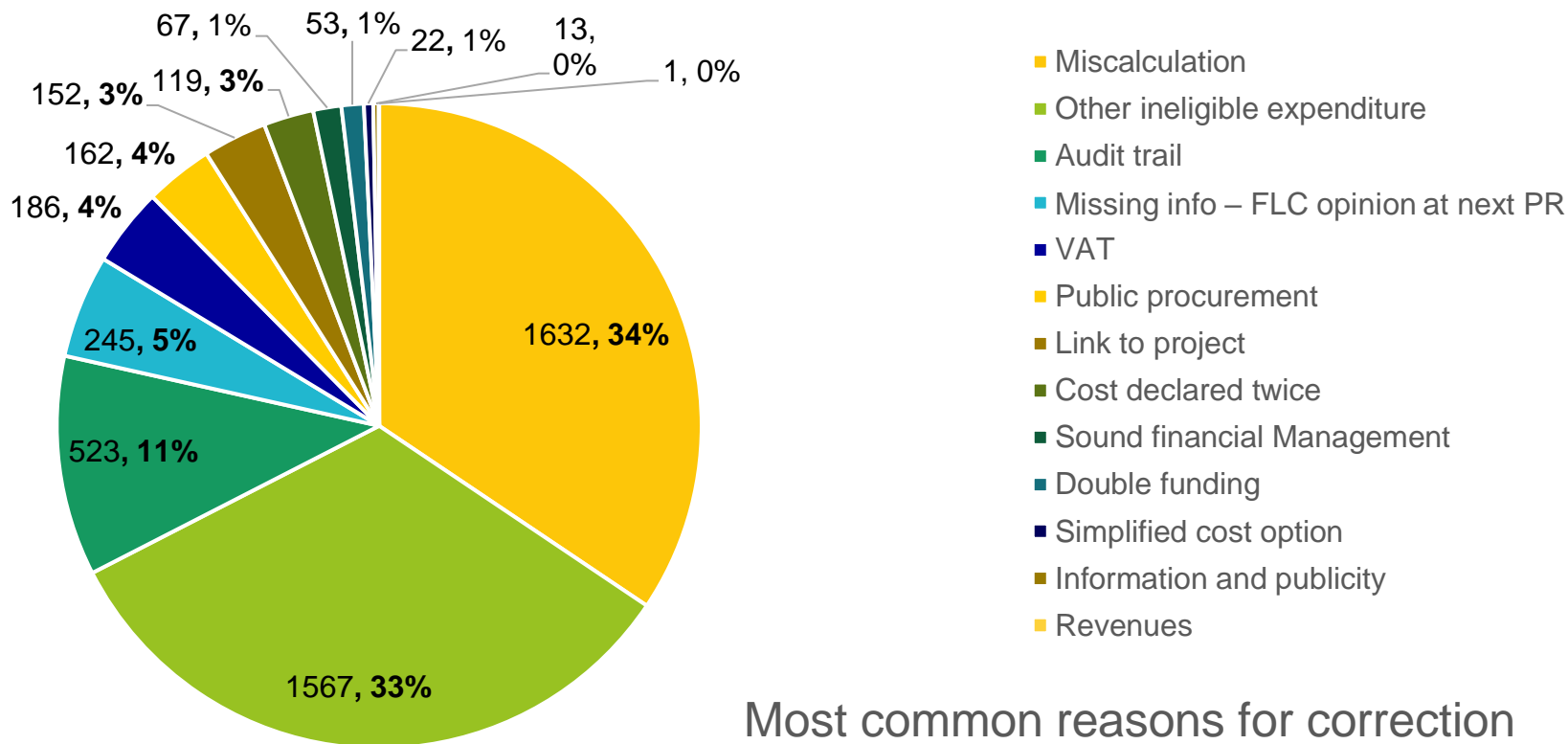


Amounts of FLC corrections by cost category

# Analysis of FLC corrections from 2014-2020

## f) By reason for correction

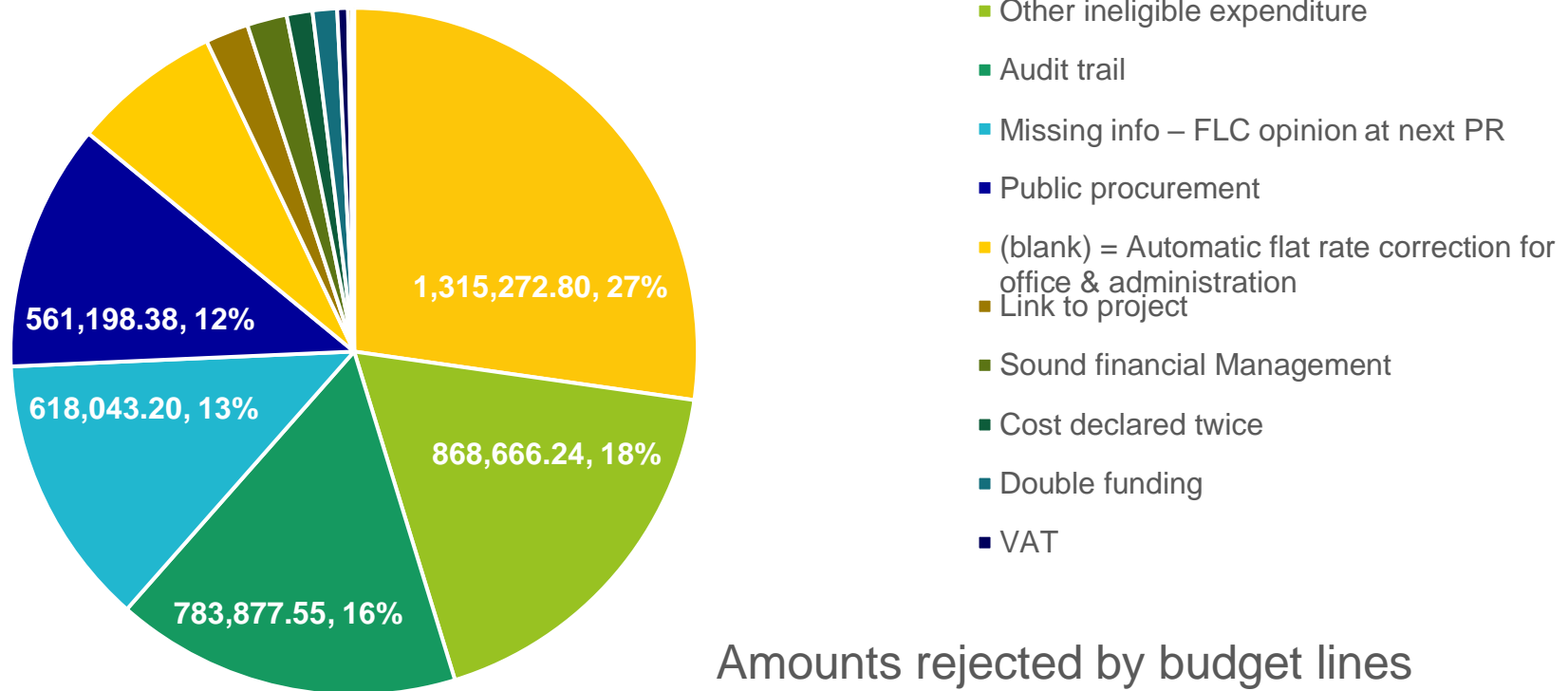
*Which are the most common reasons for correction?*



# Analysis of FLC corrections from 2014-2020

## f) By reason for correction

*What are the most financially impactful reasons for correction?*





# Analysis of FLC corrections from 2014-2020

- a) By partner legal status – no impact
- b) By partner role – limited impact
- c) By type of check – no impact
- d) By progress report number – no impact
- e) By cost category – impact
- f) By reason for correction – impact (linked to e)



# Analysis of FLC corrections from 2014-2020

## Risks:

- Staff costs: simplification vs 2 flat rates
- Travel & accommodation costs: flat rate
- External expertise costs: procurement

➤ Programme risks!



## External support from audit firm

- Familiar to our programme, expert for risk analysis and audit standards.
- Analysis of our FLC corrections statistics and audit results
- Options for future risk-based management verifications





# External support from audit firm

## Conclusions (1/2):

- **Corrections made by FLC are low**, remain **below 2%** and concern a minority of projects
- Over the past years and programming periods, the **second level audit error rates have always remained low** (e.g 2021 = 0.17%, 2020 = 0.10% etc.)



# External support from audit firm

## Conclusions (2/2):

- Risks regarding expenditure verification are concentrated on two types of expenditure: **staff costs** and **external expertise** representing 83% of corrections.
- **Miscalculation of staff costs** and **incorrect procurement procedures** are the two highest zones of inherent risk
- To draw the sample, a sufficient number of items is needed (10) > quite difficult in IR-E.



# Programme methodology – JS proposal

## Main principles:

- 10 items of staff costs based on a random selection
- 10 items of all other costs. Public procurement and key items would be included in this second sub-sampling category

Sample drawn by the Portal

Extension of the sample possible based on controller's professional judgement or if error detected: justification in control report



## Programme methodology – Other aspects

- **On-the-spot checks (OTSC)**

OTSC should also be risk-based:

Programme recommendation: at least one OTSC when there is a pilot action with equipment or work/infrastructure costs

- **Periodic revision of risk analysis and methodology update** taking into account audit results
- **Supporting documents in Portal**

# Presentation to the centralized controllers and approbation bodies



## Reactions:

- Overall enthusiasm and openness
- Some would have liked to:
  - Keep checking 100%
  - Use sampling method already used in the past
  - Further scale down sample



## Next steps

- Drafting of the methodology ongoing
- MC approval while keeping the AA, and centralized controllers & approbation bodies informed and involved



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# Thank you!



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