



# Risk-based management verification



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# 1. Introduction to verification

## Programming period 2021-2027

- simplification at all levels 🧐
  - Administration (reporting & payments)
    - ✓ **Audit and control (management verification)**

### Management verification should include

- Administrative verification of PP payment claims
- On-the-spot verifications of projects
- All this before 15 Feb of following accounting year
- Really new is the – **risk-based verification**



# 1. Why this document

The regulation requires analyses of risks ex-ante and in writing.

We took the simplification for granted (reporting and verification)

- **SCOs**(👍)
- **Real costs**
- Management verification methodology contains:
  - Analyses needed for risk-based verification
  - Risk assessment
  - **Minimum requirements for verification of SCOs and real costs**
- **Programme documentation and guidance**



# 2. Structure of the document

**Risk assessment requires the assessment of**

- Operations
- Beneficiaries
- Level of risk identified by previous verifications and audits

**So we did**

- Description of types of projects
- Types of costs and reporting structure
- Analyses of errors (FLC, AA/SLA and MA/JS monitoring results)
- Defined minimum requirements for risk-based verification



# 3. Analyses of errors

From different responsibilities for audit and control:

- First level control
- Second level audit
- MA/JS monitoring

From different perspectives

- Number of cases/frequency of errors
- Amounts corrected/deducted
- Types of errors



# 3. Analyses of errors – FLC

## First level control results:

- EUR 250 million of checked expenditure
- 1,204 detected errors
- EUR 1.5 million corrected
- Error rate at FLC level of 0.60%

## Types of errors

- Ineligible expenditure
- Public procurement
- Accounting and calculation errors



# 3. Analyses of errors – SLA

## Second level audit results:

- EUR 24 million of checked expenditure
- 44 detected errors
- EUR 94 thousand corrected
- Error rate at SLA level of 0.39%

## Budget lines concerned

- Staff costs incl. flat rate Office and administration
  - Travel and accommodation
- **System checks** by AA/SLA – carried out following pre-described key criteria and key requirements.





# 4. Risk-based verification

Risk factors defined based on the results of audits and controls

- CAT 4 External expertise and services
- public procurement
- VAT for projects above EUR 5 million (incl. VAT)
- CAT 6 Infrastructure and works



# 4. Verification – real costs

Payment claim of each project partner (PP) and **only CAT 4, 5 and 6.**

**Review of PP's expenditure population** according to **risk factors**

- Public procurement
- Investment
- VAT for projects above EUR 5 million

and according to its **professional judgment.**

The average number of items in the population for CAT 4-6 will be rather low.

**100% check** or selection of **representative sample:**

- **Min. 10%** of expenditure of CAT4-6 and
- **At least 2 items from each CAT4-6**



# 4. Verification – real costs

Representative sample selection:

## 1. **Obligatory items**

- All investments
- All expenditure that are subject to procurement above EUR 10,000
- Suspicious items

## 2. **Complementary selection**

## 3. **Extension of selected sample**



# 4. Verification – SCOs

Programme applies six types of SCOs.

## Risk factors for CAT1 Staff costs

- Amounts of hours worked for the project
- Legal status of the project partners, **with focus on** ...
- Project partners involved in more projects
- Outcomes of the quality assessment of the Application form
- Outcomes of the CAT1 verification of previous reports.



# 4. Risk-based verification – on-the-spot

... recommendation of at least one on-the-spot check of each project partner during the project duration. The controllers responsible for more project partners can apply the sampling method or other methods based on risk criteria and professional judgment to select the project partners to be checked on-the-spot.



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