



Risk-based Management Verifications Legal requirements for 2021 - 2027

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Miriam FERNANDEZ JUTZ – Joint Audit Directorate for Cohesion – Coordination Unit – DAC7

Overview

- Legal basis for Management verifications
- What's new?
- Risk assessment during selection of operations
- Management verifications
 - Administrative verifications
 - On-the-spot verifications
- Best practices



Legal basis for management verifications

Article 74 (2) Common Provisions Regulation (CPR) 2021 - 2027

- Management verifications shall be **risk-based** and proportionate to **the risks identified ex-ante** and **in writing**
- Management verifications shall include
 - **administrative verifications in respect of payment claims made by beneficiaries;** and
 - **on-the-spot verifications of operations**
- Verifications shall be carried out **before submission of the accounts**



Legal basis for management verifications



The CPR programming period 2021 – 2027 aims to ensure an **appropriate balance** between the **effective** and efficient implementation of Funds and related **administrative costs** and **burdens**


Recital 62 of the CPR

.....the frequency, scope and coverage of management verifications should be based on a risk assessment that takes into account factors such as the number, type, size and content of operations implemented, the beneficiaries as well as the level of the risk identified by previous management verifications and audits.

Management verifications should be proportionate to the risks resulting from that risk assessment and audits should be proportionate to the level of risk to the budget of the Union.

What's new?

New elements of management verifications (ADMIN & ON-THE-SPOT) in CPR 2021 – 2027

-  Risk-based and **proportionate** to identified risks
- The **MA** is **fully responsible** for preparing the risk assessment
Communication and **consultation with AA** strongly recommended
 - **Methodology** to identify operations, payment claims and expenditure items to be verified
 - **Frequency, scope** and **coverage** of management verifications based on **risk** assessment
 - **Risk factors / criteria**
 - Number, type, size, content and complexity of **operations**
 - Type of **beneficiary** and past experience
 - Value of **payment claims** and amounts and types of expenditure
 - **Risks** found by **previous management verifications** and **audits**
 - Risk assessment **at different levels**: OP, priority axis, operation type, beneficiary, expenditure type, type of grant
 - **Coverage**. MA may set a certain (minimum) coverage for expenditure or operations to be checked or adopt risk scores/thresholds for verification



EX ANTE



and **in writing**

What's new?

New elements of management verifications (ADMIN & ON-THE-SPOT) in CPR 2021 – 2027

- Management verifications focus on a **risk-based** selection of **payment claims from beneficiaries**, of expenditure items (e.g. invoices, contracts, salaries) **within** a payment claim and of **operations**



The rationale is to **focus** management verifications on the **risky** items/areas of payment claims and operations

100% verification **not** required



- **Timing** of management verifications => **before submission of the accounts**

Risk assessment during appraisal and selection of operations

RISK elements at the **level of operations**



EXAMPLES

- Operations with a significant budget
- Nature and complexity of a project (infrastructures, studies, equipment, etc.), type(s) of expenditure and applicable legal requirements (i.e. public procurement, State aid, SCOs, FIs, etc.)
- Operations with few tangible outputs for which, because of their nature, few or insufficient evidence can be provided after completion of the operation
- Operations approved and started near to the end of the programming period
- Other (see Reflection Paper risk-based management verifications)

Risk assessment during selection of operations

RISK elements at the **level of beneficiaries**



EXAMPLES

- Type, legal status and ownership structure of the beneficiary
- Level of risk of potential conflicts of interest related to a type of beneficiary and the type of operation the beneficiary is implementing
- Number of projects implemented by the same beneficiary
- Number of project partners
- Beneficiary's capacity to implement the operation
- Other (see Reflection Paper risk-based management verifications)



Administrative verifications

In respect of **payment claims** made by beneficiaries

- *Indicative administrative verifications* plan on the basis of:

- results of **risk assessment** at the **selection of operations** stage



Factors: number, type, size and content of operations, beneficiaries and risks identified by previous management verifications

Verification of a **selection** of payment claims. **Not necessarily all claims i.e. 100%**

and

- the **financial implementation** of the operations (including estimated timing of the submission of the payment claims)
- Within a **reasonable time-frame** after a payment claim is submitted by the beneficiary
- Verifications must be carried out **before submission of the accounts in which the expenditure is included**

Administrative verifications – selection of payment claims and selection of items within a payment claim

Based on the MA/IB **risk criteria**

Exclude non-risky payment claims for verification
Avoid 100% verification of all payment claims

Risks to consider for the **selection of payment claims**

- (re)consider risks identified at the selection of operations stage
- First payment claim? Issues like: SCOs, FIs, procurement, State aid
- Other (see Reflection Paper)

MA/IB can opt for **not fully** verifying selected payment claim(s).

=> Not all underlying expenditure may be verified

Risks to consider for **selection of expenditure items within payment claims**

- Type and nature of expenditure: e.g. staff costs, invoices, contracts
- Expenditure items with higher inherent risk, unusual items, high value items
- Use of sampling (judgmental, random)



On-the-spot verifications (OTSVs)

In respect of **operations**

- OTSVs focus on risks related to the reality of the operation and expenditure, the delivery of a product or service in compliance with the terms and conditions of the agreement, physical progress and respect for Union rules on publicity
- Can verify that a beneficiary is providing accurate information on the physical and financial implementation of an operation
- Should preferably be undertaken when the operation is well under way, both in terms of physical and financial progress
- MA to draw up an (updated) OTSV plan each accounting year

Risks to consider for **selection of operations for OTSVs**

- Operations with advanced levels of implementation or to be completed soon
- Operations with issues identified by MA monitoring/controls or by audits
- Other (see Reflection Paper)



Use of e-Cohesion

Enhances simplification and implementation of ESI funds.

Can significantly reduce administrative burden

Allows secure exchange of digital / scanned documents from system to system via standardised interfaces between MAs/Ibs and audit authority on the one hand and with beneficiaries on the other hand

Data transfer only once. Safe storage in one place. Always available for all programme authorities.



Use of management verifications by auditors

Auditors shall make use of management verifications and the documents already available at MA level. Electronic audit trail and e-Cohesion

Adequate management verifications **can significantly reduce AUDIT burden** and avoid repetitive requests for documents by different (control) bodies

Thank you!

Joint Audit Directorate for Cohesion –

Coordination Unit – DAC7