RISK-BASED MANAGEMENT VERIFICATION METHODOLOGY

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Managing Authority

IT Tools and Monitoring Systems Network

Rostock, 18.9.2024

LEGAL BASIS and SUPPORTING DOCUMENTS

✓ Article 74(1)(a) and 74(2) of the CPR

✓ Reflection Paper of the EC: RBMV 2021-2027

✓ Guidance on the RBMV for 2021-2027 and HIT methodology

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PREPARATION of RBMV

✓Workshop in Bohinj - January 2024

✓Representatives from three CBC programmes

✓External expert

✓Brainstorming

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COLLECTING THE DATA for RBMV

✓ HOW?: Excell sheet

✓ WHO?: Joint Secretariat/National Controllers

✓ WHEN?: Each year after the approval of the Annual Accounts

✓ WHERE?: Jems (eMS), Self-declaration by PPs …

DATA COLLECTION

RBMV – WHO/WHICH LEVEL?

Standard projects:

✓ - partner level: National Controllers

✓ - project level: Joint Secretariat

Small-scale projects:

✓ - partner level: Joint Secretariat (HU NC for SI-HU)

✓ - project level: Joint Secretariat

RMBV – National controllers verification

✓ HOW?: Automatised in Jems

✓ WHEN? Latest till end of June 2024

✓ WHAT? Partner reports + OTS

✓ RISK-BASED MANAGEMENT
VERIFICATION AND CONTROL MANUAL

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RBMV Methodology

STANDARD PROJECT
-RBMV -
based on Risk factors

SMALL-SCALE PROJECT
- RBMV -
100% check

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RBMV Methodology

for STANDARD PROJECTS

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Risks	Risks description
1. **Products and services not delivered – ineligible project**	**Operation not completed and/or not functional**
	Operation not compliant with initial plan (time, quantity, quality)
	Missing evidence for indicators
2. **Laws and conditions of support not respected**	**Wrong application of PP procedures (artificial splitting and/or non-sufficient publicity)**
	Not correctly recognised state aid
	Unlawful changes
	Missing documents (permits)
3. **Ineligible Expenditures and non-sufficient audit trail and accounting**	**Indirect costs declared as direct cost**
	Wrong declaration % of staff costs
	Double-funding, missing documents
4. **Simplified cost options conditions for payment not respected**	**Inflated staff costs**
	Condition for support not respected: Activities, deliverables, outputs, results

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SCORING OF THE RISKS AT PARTNER LEVEL

No.	Risk criteria (RC)	Source of data
1	Staff with working time on the project (per person) <= 15%	JS: JEMS - manually
2	Number of operations run in parallel by partners (per ID/TAX number)	JS: self-declaration filled in by all PPs - manually
3	Change of contractor / sub-contractor(s)	NC: JEMS - manually
4	Are PP activities State aid/de-minimis relevant	JS: JEMS (check list for State aid/de-minimis) – manually
5	Did the PP activities become State aid/de-minimis relevant during past year	JS: JEMS (check list for State aid/de-minimis) - manually
6	Amount of financial errors detected by FLC on PP level in previous financial period 2014-2020 within the relevant programme	JS manually – Annual summary of controls background tables from eMS (history)
7	Amount of financial errors detected by NC on PP level in sampled expenditures in 2021-2027 within the relevant programme	JS manually – based on previous confirmed PP reports and errors detected - background tables from JEMS

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SCORING OF THE RISKS AT PARTNER LEVEL

No.	Risk criteria (RC)	Source of data
8	Number of staff per PP	JEMS - automatically – count staff rows
9	Use of the 40% staff cost flat rate	JEMS - automatically – flat rate 40% selected
10	Planned External services related to contract > 10.000 EUR	JEMS - automatically – any expenditure in total price per row exceeds 10.000 EUR
11	Planned amount of external expenditures of smaller (<10.000 EUR) exceeds 70% of total external expenditures	JEMS - automatically – sum of total cost in rows below 10.000 exceeds 70% of total external expenditures in category
12	Planned Equipment related to contract > 10.000 EUR	JEMS - automatically – any expenditure in total price per row exceeds 10.000 EUR

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SCORING OF THE RISKS AT PARTNER LEVEL

No.	Risk criteria (RC)	Source of data
13	Planned Amount of equipment expenditures of smaller (<10.000 EUR) exceeds 70% of total equipment expenditures	JEMS - automatically – sum of total cost in rows below 10.000 exceeds 70% of total equipment expenditures in category
14	Existence of investments in infrastructure	JEMS - automatically – row infrastructure and works exists
15	Duration of the activities (in reporting periods)	JEMS - automatically – end period minus start period
16	Underspending	JEMS - automatically – realization per partner budget till reporting minus planned partner budget till planned reporting > 0
17	% of underspending	JEMS - automatically – realization per partner budget till reporting minus planned partner budget till planned reporting > 0

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LEVEL OF RISK

PARTNER LEVEL

Score	0-7	8-20	21 or more
Risk	low	medium	high

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FREQUENCY AND COVERAGE

PARTNER LEVEL

Frequency and Coverage – partner level			
Level of risks on partner level/ checks	low	medium	high
Desk based: Frequency	At each report		
Desk based: Coverage/Expenditures including those checked 100% (Costs) up to the L/M/H risk	min 35% of total costs declared in PP report	min 50% of total costs declared in PP report	min 75% of total costs declared in PP report
OTS: Frequency/ Number of project partners to be checked according to the level of risk	5%	15%	30%
OTS: Coverage (What to check?)	In line with the OTS checklist		

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WHAT TO CHECK?

100% mandatory checks are obligatory in the cost categories:

-   External services (related to planned contract value above 40.000 EUR)

-   Equipment (related to planned contract value above 40.000 EUR)

-   Infrastructure and works

No checks are foreseen for the indirect costs in the cost categories:

-   Office and administrative costs

-   Preparatory costs

-   Travel and accommodation

-   Other costs

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SCORING OF THE RISKS AT PROJECT LEVEL

No.	Risk criteria (RC)	Source of data
1	Number of operations run in parallel by partners (per ID/TAX number)	JS: self-declaration filled in by all PPs - manually
2	Change of contractor / sub-contractor(s)	JS: JEMS - manually
3	Are PP activities State aid/de-minimis relevant	JS: JEMS (check list for State aid/de-minimis) - manually
4	Did the PP activities become State aid/de-minimis relevant during past year	JS: JEMS (check list for State aid/de-minimis) - manually
5	Quality of partnership	JS: JEMS (SAG) - manually – score of assessment
6	Quality of budget	JS: JEMS (SAG) - manually – score of assessment

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SCORING OF THE RISKS AT PROJECT LEVEL

No.	Risk criteria (RC)	Source of data
7	Amount of financial errors detected by JS on Project level in previous financial period 2014-2020 within the relevant programme	JS manually – Annual summary of controls background tables from eMS (history)
8	Number of deliverables	JEMS - automatically – number of deliverable rows in project
9	Number of staff working per project	JEMS - automatically – count staff rows per project (sum PP staff rows)
10	Number of accepted changes (no. of application versions)	JEMS - automatically – version of application
11	Existence of investments in infrastructure	JEMS - automatically – row infrastructure and works exists in any project partner
12	Size of the project	JEMS - automatically – total project budget

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SCORING OF THE RISKS AT PROJECT LEVEL

No.	Risk criteria (RC)	Source of data
13	Number of PP	JEMS - automatically – number of PPs
14	Duration of the project in periods - up to the programme	JEMS – automatically – number of periods
15	Underspending	JEMS - automatically – realization per project budget till reporting minus planned project budget till planned reporting > 0
16	% of underspending	JEMS - automatically – realization per project budget till reporting minus planned project budget till planned reporting > 0

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LEVEL OF RISK

PROJECT LEVEL

Score	0-10	11-28	29 or more
Risk	low	medium	high

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FREQUENCY AND COVERAGE

PROJECT LEVEL

Frequency and Coverage – project level			
Level of risks on project level/ checks	low	medium	high
Desk based: **Frequency / Project reports to be checked according to the L/M/H risk (risks shall be defined for all projects consisting of a pool of projects in risk group)**	Based on submission: Every 5th project report submitted from the pool of low-risk projects	Based on submission: Every 3rd project report submitted from the pool of medium-risk projects	Based on submission: Every 2nd project report submitted from the pool of high-risk projects
Desk based: **Coverage (What to check?)**	In line with the JS checklist		
SSV: **Frequency/ Percentage of projects to be checked according to the level of risk from the pool of projects in risk group**	Defined once a year after RBMV exercise 10%	Defined once a year after RBMV exercise 25%	Defined once a year after RBMV exercise 50%
SSV: **Coverage (What to check?)**	In line with the SSV checklist		

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RBMV Methodology

for SMALL - SCALE PROJECTS

FREQUENCY AND COVERAGE

PROJECT LEVEL

Frequency and Coverage – project level	
Desk based: Frequency / Project reports to be checked: - **all projects from a pool of projects have the same risk factor** - **the pool of projects is consisting of all contracted projects from each SSP submission deadline**	Automatically - randomly chosen 80 % of all projects.
Desk based: **Coverage (What to check?)**	In line with the JS checklist for SSP
SSV*: **Frequency/ Projects to be checked:** - **all projects from a pool of projects have the same risk factor** - **the pool of projects is consisting of all contracted projects from each SSP submission deadline**	Automatically - all projects that were not desk-based checked (20%).
SSV: **Coverage (What to check?)**	In line with the SSV checklist for SPP

FROM THEORY TO PRACTICE

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CONSIDERATIONS

✓ Where shall the data be stored – JEMS or any other system

✓ Where do we take data from – JEMS, manually, keep, Arachne, other

✓ Which programming language to use – is there a framework

✓ What personnel do we have for implementation – internal/external

✓ How flexible we can be

✓ Do we touch the Core JEMS

✓ Timing and cost of implementation

✓ What we have and can we build on top of that

✓ …

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CONCRETE ANSWERS

✓We implemented some plugins in JEMS that are pretty standard

✓We did some Exports in JEMS, but only for paper visualization

✓We did produce an Aggregator tool that uses API for data

✓We already take data from JEMS and put it in aggregator database

✓We added models in own database for usage of data

✓We have dedicated servers for own implementations

✓We don't know what additional functions can we expect in JEMS

✓Aggregator app gives us more flexibility

DECISION

✓ Create as much as possible in Aggregator (fast, secure, easy framework)

✓ Query Aggregator via API

✓ Take data from JEMS and turn it around in Aggregator application

✓ Modify plugins so that they interface with Aggregator app

```kotlin
val apiTokenReader = File("/run/secrets/jems_jems_agregator_api_token").bufferedReader()
val apiToken = apiTokenReader.use { it.readText() }.trim()

runBlocking {
    val response = client.get(apiBaseUrl) {
        url {
            appendPathSegments("expenditure-samples")
            parameters.append("interreg_programme_title", projectData.programmeTitle)
            parameters.append("partner_id", partnerId.toString())
            parameters.append("partner_report_id", reportId.toString())
        }
        headers {
            append(HttpHeaders.Authorization, "Token $apiToken")
        }
    }
```

PROCESS WORKFLOW

✓ We added items that are not present in JEMS to Aggregator (risks, scores, different programmes,…)

✓ When report starts to be checked plugin in JEMS asks Aggregator API for selection of invoices

✓ Aggregator asks JEMS to send him all the updated data and selects items for the verification based on presented methodology

✓ Aggregator sends to JEMS data to be selected

✓ JEMS plugin selects data in JEMS database so the controller can see them properly

✓ Similar process is implemented also at the level of Project reports with a contentwise difference – sampled item doesn't have to be checked

THANK YOU
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