

Risk-based management verifications in Interreg in 2021-2027

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Welcome to the Interreg Knowledge Fair

This is a **pilot activity** for Interact, testing a new approach to our service delivery – and **whether it works for you!**

While you are here, you will be asked to **rate individual sessions** (in Whova) and to respond to a **4-question survey** at the end of each day.

Please share your feedback with us!



How to develop a methodology for risk-based management verifications

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Rationale

- Risk-based approach to management verifications
- 100% verifications is not a starting/ default point!
- 100% verifications = a very high risk in the programme
- Risks identified in the risk assessment = basis for your verifications (risks are justification for the proportionate controls)
- Dynamic approach – it's possible that risks change during the programme/ project implementation



Do not ...

- ... build your methodology on **assumptions!**
- Test your theories & base your risk factors on solid data

Common misconceptions:

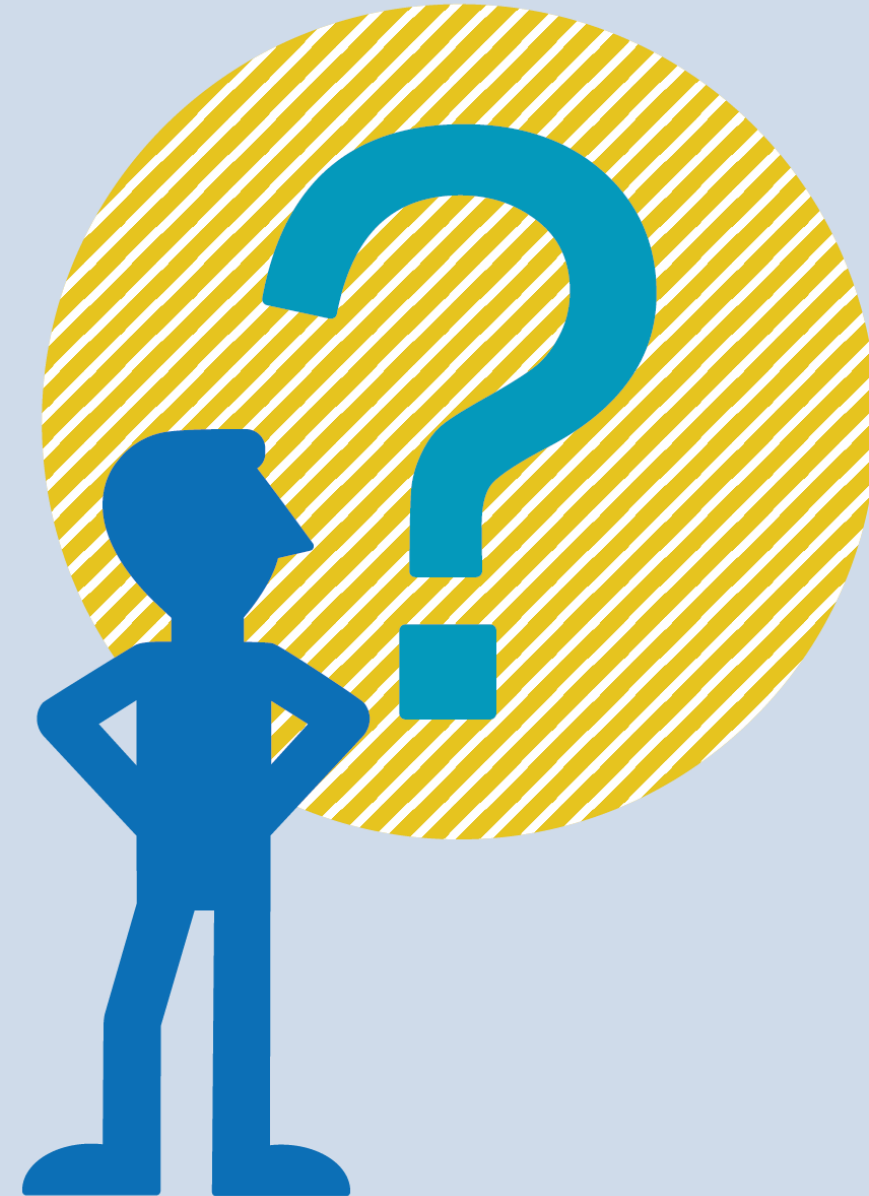
- private partners are riskier;
- lead partners are riskier than project partners;
- some specific programme priority is riskier than other;
- first progress reports are riskier;
- certain cost category is riskier;
- the bigger the budget (or project partnership) the riskier operation is.

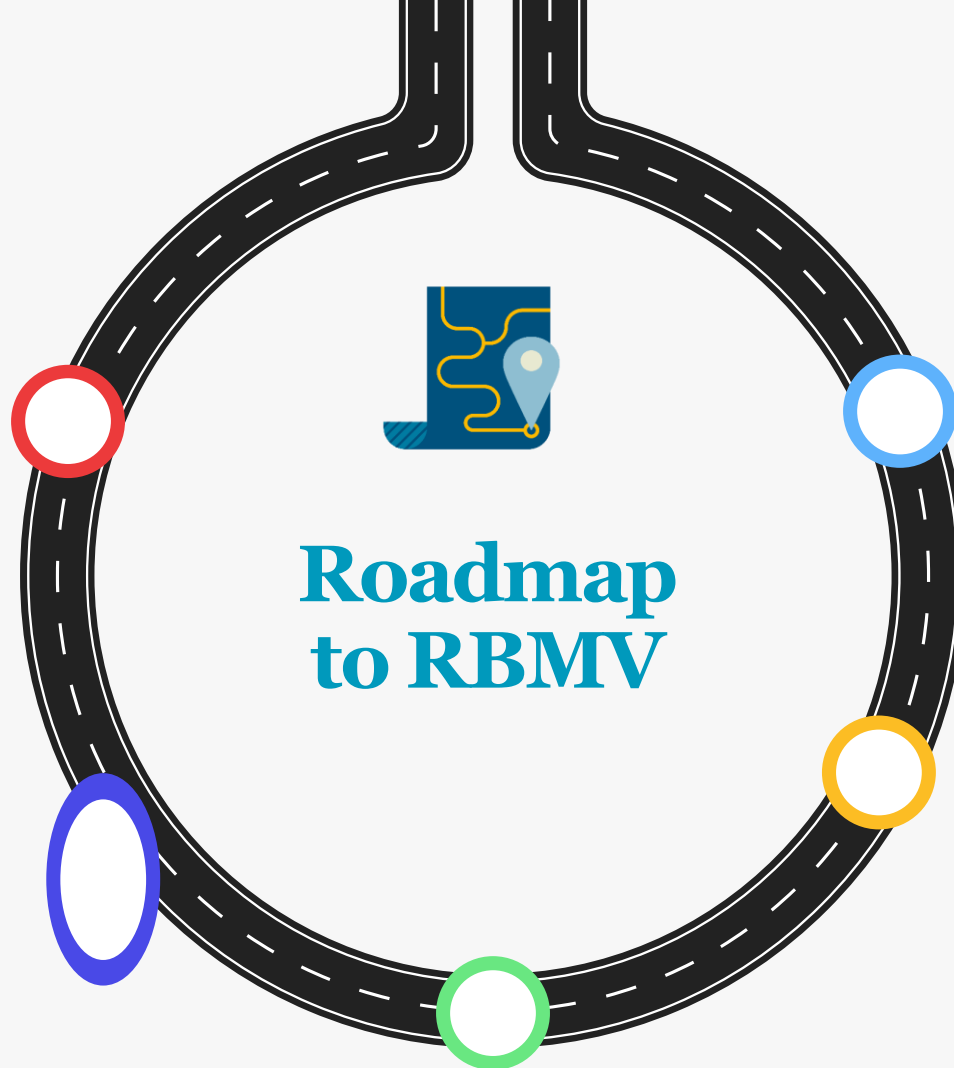


Could be though if justified!

Roadmap to a methodology for risk-based management verifications

- How to?





5. How and when to revise the methodology?

How to take into account **audit findings, results** of risk-based approach, new risks?

4. Design methodology & principles proportionate to risks identified

For both admin and on-the-spot verifications: **focus on risky items!**
Models: all as random sampling, combination of 100% verification of risky items + random sampling, professional judgment...

3. Mitigation measures

What can you do to reduce errors? Where and how can you simplify to reduce errors?

1. Risk assessment

Analysis of programme historical data, irregularities, experience -> **define risk factors**

2. Risk factors

Analyse at which **level** risks appear – priority, project, project partner, payment claim...

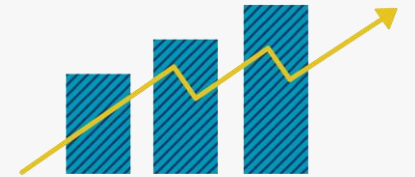
Step 1 – Risk assessment

1. Analysis of the programme historical data:
 - data on irregularities (identified, rejected by controllers);
 - findings from project monitoring and reporting;
 - audit findings (system audit, audit of operations), etc.
2. Workshops/ consultations with controllers
3. Level of risks:
 - project type (small-scale, regular, SPF, infrastructure/ soft projects ...);
 - beneficiary (legal status, match-funding, experienced/ newcomers ...);
 - payment claims (exceeding a certain % of the partner budget, with infrastructure, public procurement ...);
 - items within the payment claim (public procurement, certain cost category ...)



Step 2 – Mitigation measures

1. Result of risk assessment – mapping of risky areas in your programme:
 - specific projects; partners; types of activities; types of costs; cost categories ...
2. Mitigation measures:
 - reducing the number of options offered to reimburse certain cost category (e.g., staff costs);
 - making use of SCOs;
 - SCOs for small-scale, small projects (legal requirement);
 - a single electronic monitoring system;
 - training/ consultations for different stakeholders (beneficiaries, controllers, auditors ...)



Step 3 – Methodology



Depending on the risks identified:

- Different approaches depending on the project type;
- Verifications at the project level – potentially some projects are not checked;
- At the project partner level – all project partners are checked on a risk-based basis;
- Payment claims – all are checked, risk-based approach;
- Cost categories – no differentiation; heavier control for specific cost categories;
- Key items verifications; random sampling; professional judgment;
- Weighting and scores system (low, medium, high risk -> “heavier” verifications);
- Risk-based verifications at the JS level ...

Step 3 – Methodology (cont.)



To include in the methodology:

- Approach for both administrative and on-the-spot checks!
- What happens if errors are found? How to extend your sample?
- When are 100% verifications justified?
- When/ how to update the methodology?
- Should the control change during the project implementation?

HIT methodology for risk-based management verifications

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HIT Methodology

Scope of work

The objective of the methodology

Scope (population)

Application of the methodology

Areas of focus (risk/not risk elements)

Definitions of risk elements

Sampling principles

Minimum sample size for random sample

When sample size is extended

Approach and general principles

Management verifications are done by controllers at the level of **each project partner** and its **partner progress report**.

Partner Progress Report



Risky items (key-item verification")

Professional judgement

Random sampling of the remaining items



*Random sampling is **OPTIONAL**
A programme can decide to apply a random sampling to the remaining items!*

Full verification

NOT justified, unless

analysis of the programme data suggests that some specific progress reports are riskier if the controller needs to obtain a necessary quality assurance level of the reported expenditure (if there were errors found in verified items)



Key item verification

In the context of HIT methodology, following items should be checked fully:

Public procurement for contracting amounts above EUR 10.000 (excl. VAT - unless the threshold set by the applicable programme/national rules is stricter).

Staff costs of the first two progress reports where staff costs occur. Furthermore, staff costs of a new staff member included for the first time in the progress partner report, and if significant changes in the staff costs occur (e.g. > 20%) in the time allocation of staff members (if the fixed percentage method is used), or if there are changes in the staff costs methodology (e.g., a change from fixed percentage method to an hourly rate).

VAT (for projects with total costs above EUR 5m, including VAT).

Professional judgement

On top of the full verification of key items, the controller, based on his/her professional judgment, can select additional items from the list.

E.g.,

- Unusual
- Give rise to suspicion of fraud

- Based on the quality of the originally reported expenditure and the quality of the key-items verification
 - ✔ items similar to those where errors or ineligible expenditures were identified in the current/previous reports;
 - ✔ where repeated mistakes/errors, such as re-inclusion of ineligible expenditure (projects/reports), were noted in the previous reports.

Random sampling

Key-items verification and professional judgement can be supplemented with random sampling of the remaining (non-risky) items, based on the following sampling principles:

- sampling is done **per cost category** based on the total remaining population of items under that cost category;
- **a minimum of 2 items** per cost category is selected, **a minimum of 10%** of the remaining items.



When random sampling can be exercised?

When errors/irregularities are found in key-item verification or verification of items based on professional judgement.

When a programme does not use many simplified cost items.

Extension of sample

If the initial sample shows that the quality of the information provided is not sufficient, the sample size should be extended.

The purpose of extending the sample is:

to determine whether errors **have a common feature** or whether they are simply random errors.

If no common features are determined, **the sample can be extended to a 100% verification** of the payment claim.

On-the-spot verifications

MA is responsible for establishing the approach to the on-the-spot verifications.

On-the-spot verifications should be carried out:

- when the project is well under implementation;
- it is suggested to have at least one on-the-spot check at the project partner level that implements **productive investments** or **infrastructure**.

Review of the methodology

The MA should **periodically review** the risk elements and sampling methodology for management verifications.

The MA might **amend the methodology** based on:

- the findings from the system audits;
- results of the audit of operations carried out by the audit authorities;
- results of previous administrative and on-the-spot checks;
- external factors that could have an impact on the implementation of projects

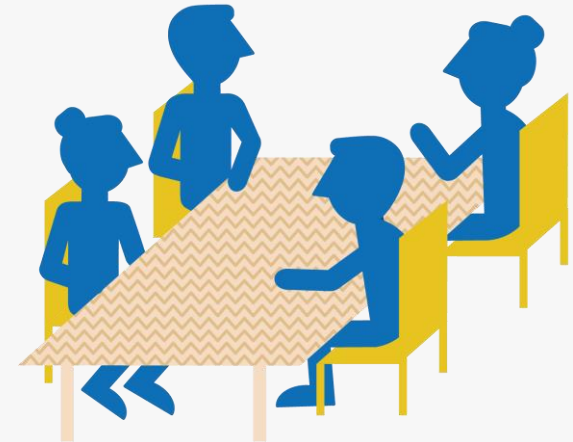
HIT guidance on risk-based management verifications

The screenshot shows a document page with the following content:

- INTERACT** logo at the top right.
- Guidance on the risk-based management verifications for 2021-2027 and HIT methodology** as the main title.
- November 2022** and **Version 2** as a subtitle.
- A circular seal with the text **Interreg HIT 2021-2027**.
- European Regional Development Fund** logo at the bottom right.
- HIT | Guidance on risk-based management verifications in 2021-2027 and HIT methodology** as the document title.
- Fields of expertise:** Programming 2021 - 2027, HIT, Eligibility of expenditure.
- Date Published:** 29/04/2022.
- Author:** Interact Programme.
- Rate this** section with a 5-star rating and **Total votes: 1**.
- Comment this** link.
- Share this:** section.
- Download file (format PDF / 218 KB)** and **Show in pageflip tool** buttons.
- Be the first to** button.

Exchange of experience

Interreg Europe's approach to risk-based control in 2021-2027
Petra Geitner & Antoine Duquennoy



World Cafe

- Talking walls (40 mins)



World Cafe

- (1) We haven't started yet
- (2) We just started with the methodology/ initial stage
- (3) Methodology is almost ready/ ready



Round 1 – ca 20 mins

1. *What challenges do you experience at the stage where you are?*
2. *What questions/ worries do you have?*



Round 2 – ca 25 mins

1. *Which are the challenges that were most addressed during the discussion?*
2. *Let's find solutions together!*

Thank you for being here!

Your opinion matters to us.

Please take a few minutes to provide us with feedback to help us improve our services.

Log into the **Whova app**, go to the **relevant session**, and tell us what you think in the **session Q&A**.

You can also talk to us at the Conference Support stand in the networking area.



Cooperation works

All materials will be available on:

[Interact / Events / Interreg Knowledge Fair \(23-25 May 2023\)](#)