Risk-based management verifications methodology

The path to creation

The road taken by the Bulgarian national control

First obstacles

1. Lack of analytical data from MIS

(only general data)

2. Lack of actual working implemented Methodologies

(it was new for us all, yet it is not a totally new approach for a controller)

3. How to configure the scope and the steps.

(e.g. to check each report? To what extend?)

4. Don't make it more complicated then the 100% check.

The goal is simplification and focus on the key items / identified risks

3 pillars used to asses the risk

➢**Data used for the risk assessment from MIS**

✓ General rate of ineligibility expenditures

✓ Stats by Call and by Country

➢**Results of the risk assessment from the FLC reports (overview)**

✓ Most frequent omissions

✓ Analysis of the irregularity signals

➢**Risk factors based on the results of audits and control**

✓Observations / analysis and summary of findings with financial impact

3 other sources that could be used

- **Register for irregularities / other database of the MA**

- **Analysis from external contractor / external partner**

- **INTERACT library / working groups / community exchange of knowledge**

1st step Key-items verification:

- Items for which a new public procurement is indicated in section "list of contracts".

- expenditure representing more than 10% of the total amount reported in the list of expenditure.

- final payment under a contract, which means that all contract terms and conditions could be observed if they are respected and the subject of the contract is achieved.

- any direct contract shall be checked for conflict of interest and for respecting the BG national legislation (MA) / PRAG rules (NA) as a minimum.

2nd step Verification based on the risk assessed by the Risk Management Group

calculated risk index

Risk index %	
0 - 10	projects with NO risk
11 - 40	projects with LOW risk
41 - 75	projects with HIGH risk
76 - 100	projects with CRITICAL risk

Add items from the list of expenditures randomly to reach

- **Half** of the expenditures reported for projects with **Low** risk.

- **2/3** of the expenditures reported for projects with **High** risk.

- Projects with CRITICAL risk are checked on 100% of the declared expenditures.

- Projects with NO risk are checked only according to the step for Key-items verification (no 2nd step).

3rd step Extension of the verifications by the controller

- Based on his/her professional judgement, the controller can decide to extend the sample to additional items (e.g.in case of doubts about some items or about the partner, in case of suspicion of fraud). In such case, an explanation should be provided in the report.

- If the controllers detect any error during their check of the sample, the sample should be extended. Using their professional judgement, the controllers can extend the sample to similar types of expenditure, to the whole cost category concerned or to 100% of the list of expenditure.

On-the-spot verifications

- Mainly an added value in practice, for projects for which there is a physical implementation to check (i.e., projects with equipment delivered / or infrastructure in considerable progress)

- mandatory for every single project partner and is executed, as follows:

- At least once for soft projects

- At least two times for investment projects

- Don't forget the "virtual" solution of on the spot, if relevant.

- On the spot plan in advance – pros and cons

Updating the Methodology

- The risks shall be periodically reassessed by the programme based on controller's corrections and audit results.

- The methodology will be updated when needed - to reinforce the controls or further reduce them, depending on the level of risks identified by MA, AA or other control body.

- The Monitoring Committee, the centralized control bodies as well as the Audit Authority will be informed about these updates and it is advised that revisions are agreed with them in advance.

How to practice before the practice

- Try it on your current projects, just to see the fulfillment of the steps and possible omissions.

  (even though it is not the same JEMS, not the same rules, etc.)

- Record the experiment, keep a trail of the execution of the Methodology.

- At the end, compare the results on an actual project (LoE) – when applying your methodology and when performing the well known 100% check.

- Analyze the weak points of the methodology and further develop / update it.

Thank you for your attention!

Enjoy Sofia! Thank you INTERACT team!

Bulgarian National Control team.