

## Administrative verifications

### 1. Key-items verification

The controller performs full verification of key items for each progress partner report.

Within this context, the following items are risky (key items) and should be fully (100%) verified:

1. Public procurement for contracting amounts above EUR 10.000 excluding the VAT
2. Staff costs:
  - a. All staff costs of the first progress report where staff costs occur.
  - b. Staff costs of a new staff member included for the first time in the subsequent progress partner report,
  - c. Staff costs in case there are changes in the methodology (e.g., a change from fixed percentage method to an hourly rate).
3. VAT (for projects with total costs of at least EUR 5m, including VAT).

#### **Actions to take**

1. The controller reviews the list of expenditures submitted by the beneficiary (a separate list of public procurement procedures reported as well as a separate list of staff cost items reported) to understand the type and nature of the expenditure (cost categories) claimed.
2. Expenditure items that correspond to the aforementioned characteristics have to be fully verified. "Fully verified" means that the controller should perform full verification of the item, ensuring expenditure is in line with European, programme and national eligibility rules, and complies with the conditions for support of the project and payment, as outlined in the subsidy contract.

Note: Only real costs are to be checked when considering risky items. Simplified cost options (SCOs) are not risky items.

### 2. Professional judgement

On top of the full verification of key items, the controller, based on their professional judgement (decision-making, analyses, or evaluation based on knowledge, skills, training, or experience that the controller possesses) must select additional items from the list of expenditures to perform verifications on.

At least one item per report must be selected. Item(s) to be controlled are selected from the remaining population of reported real costs and at least 10% of value (of the remaining reported real costs) must be included in the sample.

The controller should briefly justify why a certain expenditure item has been checked by selecting a criterion from the drop-down menu (list of criteria is given in Action to take point 2. from i. to vi.).

#### **Actions to take**

1. After performing full verification of key items, the controller reviews the remaining list of expenditures to identify cost items that, for example, seem unusual or give rise to suspicion of fraud.
2. Evaluate if additional items should be included for the verification, based on the quality of the expenditure originally reported and the quality of key-items verification:
  - i. items similar to those where errors or ineligible expenditures were identified in the current/previous reports;
  - ii. where repeated mistakes/errors, such as re-inclusion of ineligible expenditure (projects/reports), were noted in the previous reports
  - iii. costs with the same provider of goods/services/works as reported in key items and costs of similar nature (in order to detect artificial splitting of contracts)
  - iv. If a key item under title 1, specifically point 1. Public procurement for contracting amounts above EUR 10.000 excluding the VAT is not claimed in the full contracted amount in the current partner report – meaning that the activity/delivery is realized in phases over more than one reporting period – this must be noted as a follow up note for next partner reports in the control report / verification check list, as errors can be detected not only in public procurement process but also in contract implementation and final delivery
  - v. significant “ad hoc” raises in the salaries of project staff
  - vi. costs whose description does not appear to match the cost category they are reported in (in order to detect costs reported under wrong categories or double financing)

### 3. Extension of sample

If the initial sample shows that the quality of the information provided is not sufficient e.g. miscalculations of staff costs / ineligible costs detected / suspicion of irregularities in public procurement / missing proof of payment / missing proof of delivery of goods/services/works / missing or inadequate accounting records, the sample size should be extended. The purpose of extending the sample is to determine whether errors have a common feature (e.g., type of transaction, location, period, product/output, etc.) or whether they are simply random errors.

If errors are found to have common features, the total error can be determined by verifying all relevant items (i.e., those likely to be affected by the same/similar error).

#### **Actions to take**

1. Project partners must provide a table laying out all reported staff costs as units of a single salary for each project team member, for each month. If a controller finds an error while controlling an item in staff costs budget category (regardless of whether it is selected as a key item or based on professional judgement), the sample must be extended to:
  - i. one more item related to the same project team member if available
  - ii. one more item related to the same month (but of another project team member) if available

- iii. one more item from the same methodology (of another project team member) if available

If no common features to the error are determined, the sample can be extended to a 100% verification of reported costs in the staff costs category if errors in the initial sample persist.

2. If an error is detected in any other budget category, the sample is to be extended to at least one more item with common features if available. If after the extension of the sample no common features to the error are determined, the sample can be extended up to a 100% verification of the reported costs in the affected budget category if errors in the initial sample persist.

## On-the-spot verifications

On-site verifications, in accordance with Article 74 of the Common Provisions Regulations 2021/1060, are performed based on a sample, and should be performed no later than before the final Certificate of Verified Expenditures is issued.

The decision if a partner should be included in on-the-spot check is based on a risk assessment that considers 3 criteria: existence of equipment of a certain value, existence of works of any value and the controller's assessment based on professional judgement. If one or more of the above criteria are met, the project partner will be a subject of an on-the-spot check before the verification of the last partner report.

Specifically, on site verification of equipment is performed by controllers for all equipment items with a purchase cost equal or above EUR 10.000 (VAT excluded). Therefore, the unit value of a piece of equipment equal or above EUR 10.000 (VAT excluded) is the trigger for inclusion of a partner in the on-site verification sample (next to the already mentioned other criteria) and only this equipment is to be checked during OTSC.