



MINISTRY OF FOREIGN AFFAIRS AND TRADE

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# Risk-based Management Verifications in 2021 - 2027



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## Legal background

Regulation (EU) 2021/1060 (CPR), Article 74 (2):

*Management verifications referred to in point (a) of the first subparagraph of paragraph 1 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. Those verifications shall be **carried out before submission of the accounts** in accordance with Article 98.*



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Significant change compared to the 2014-2020 period:

**Not all payment claims** from beneficiaries and **not all operations** have to be subject to a management verification.

MA/controller shall focus on areas with higher risks of errors.

*(However 100% verification of payment claims and of the expenditure within payment claims is still possible, if it is justified by the risk assessment.)*



## This means in practice:

- No verification of 100% of reported costs!
- Implementation based on risk-based sampling:
  - methodology must be forehand,
  - elaborated by MA in agreement with Partner Countries,
  - revised annually, based on gained experiences



## Factors decreasing risk of error

- Reducing the number of options that a programme offers to reimburse certain costs categories (e.g. staff cost – only SCO)
- Extensive use of SCOs (e.g.: lump sum for prep costs, flat rate for staff/office&admin/travel & accomm.)
- Single centralised IT system to store invoices, supporting documents (audit trail)



## Proposed methodology I.

- SCOs – limited verification (pre-defined audit trail for each cost category)
- Real costs:
  - procurements and public procurements – 100% verification (due to high risk)
  - external expertise and services, equipment/Supply, infrastructure & works – 100% verification
  - we start with 100% check - in first 2 reporting period!



## Proposed methodology II.

- Simplification:
  - Revision of method after 1st year's implementation (1st 2 partner reports)
  - In case no cost deductions occurred so far – random sampling for non-risky elements (items below 10 000 EUR) → sample of a minimum of 10%, but at least 2 items per cost category



## Proposed methodology III.

- Risky elements:
  - all items concerned with public procurement – full check (i.e. public procurement procedures, invoices and other supporting documents)
  - all procurements above 10 000 euros (excl. VAT) – in case several invoices connected, only the first will be subject to obligatory check, further invoices on sample basis
- BUT!, in case deficiencies detected, or based on professional judgement of controller, verification can be extended up to 100%



## On-the-spot verifications

- Not much added value compared to desk-based, not much additional info in case non-risky projects
- Plan: sample-based OTS
- Preconditions:
  - at least one on-the-spot check is obligatory in case of each project part containing an investment element or a procurement of equipment
  - Soft projects – sample based OTS
  - Performed where the project part is implemented OR in justified cases photodocumentation or on-line
  - In case of AA OTS – check by controller only if deemed necessary based on professional judgement