

Risk-based management verifications Poland-Ukraine Programme

17-18 October 2023, Audit Authorities network meeting

Management verifications

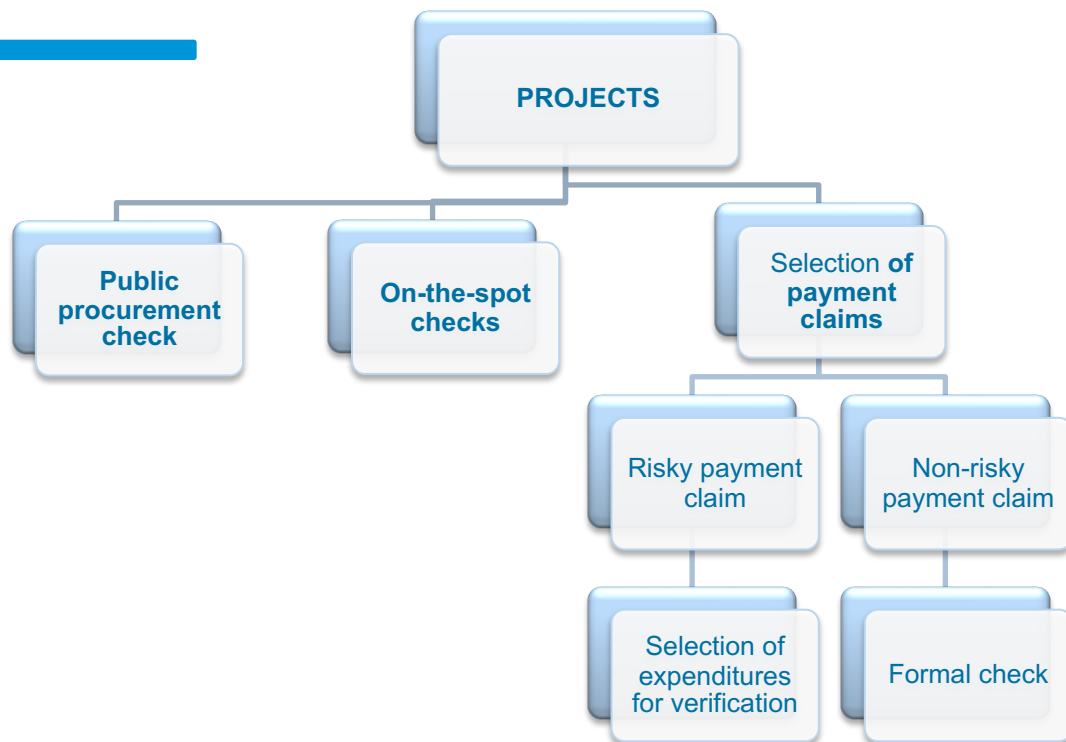
Methodology for selecting payment claims

Methodology for selecting expenditures

Methodology for on-the-spot verifications

Methodology for selecting public procurement

Scheme



Management verifications 2021-2027 – what's new?

**no obligation to
verify each payment
claim** - management
verifications are be
risk-based

Risk factor 1: The amount of payment claim (weight 45%)

- < EUR 5K
– low risk
- EUR 5K - EUR 10K
– medium risk
- EUR 10K – EUR 30K
– high risk
- > EUR 30K
– extreme high risk

Risk factor 1:
The amount of
payment claim –
result of analysis
for the factor
–
rationale

- 48% of verified payment claims (0-10k EUR) correspond to 3% of allocation
- 25% of verified payment claims (10-30k EUR) correspond to 12% of allocation
- 85% of allocation are payment claims with a value equal or greater than 30k EUR (27% of all payment claims)

Risk factor 2:
The categories of real
costs in payment
claim
(weight 20%)

- more categories with real costs in payment claim – higher risk,
- infrastructure and works costs in payment claim increase risk

Risk factor 2: The categories of real costs in payment claim - rationale

- the most **frequently** corrected categories: external expertise (32%), travel and accommodation (27%), staff costs (24%)
- value of corrections: external expertise (18%), staff costs (9%), travel and accommodation (2%)
- the highest **value of corrections**: infrastructure and works (59%) but only 7% of the number of corrections

Risk factor 3:
The types of SCO in
payment claim
(weight 5%)

- more types of SCOs in
payment claims – higher
risk

Risk factor 4:

The value of irregularities in the project

(The sum of corrections and irregularities from controls carried out by the controller and external controls from the project implementation period)

(weight 15%)

- < EUR 250
– low risk
- EUR 250 - EUR 1K
– medium risk
- EUR 1K - 10K
– high risk
- > EUR 10K
– extreme high risk

Risk factor 5: The controller's experience in cooperation with the project beneficiary (weight 15%)

- controller assesses the likelihood of errors in the documentation and in the implementation of the project
- controller bases on the implementation of Interreg projects implemented so far by the beneficiary

Selection of payment claims – methodology



Risk factor	Weighting	Risk	Score
Amount of payment claim	0,45	1-4	
Categories of real costs in payment claim	0,20	1-4	
Types of SCO's in payment claim	0,05	1-4	
Value of irregular expenditures and irregularities in the project	0,15	1-4	
Controller's experience in cooperation with the project beneficiary	0,15	1-4	

1 – low risk

2 – medium risk

3 – high risk

4 – very high risk

Summary

Risk analysis is carried out by the controller immediately after receiving the payment claim

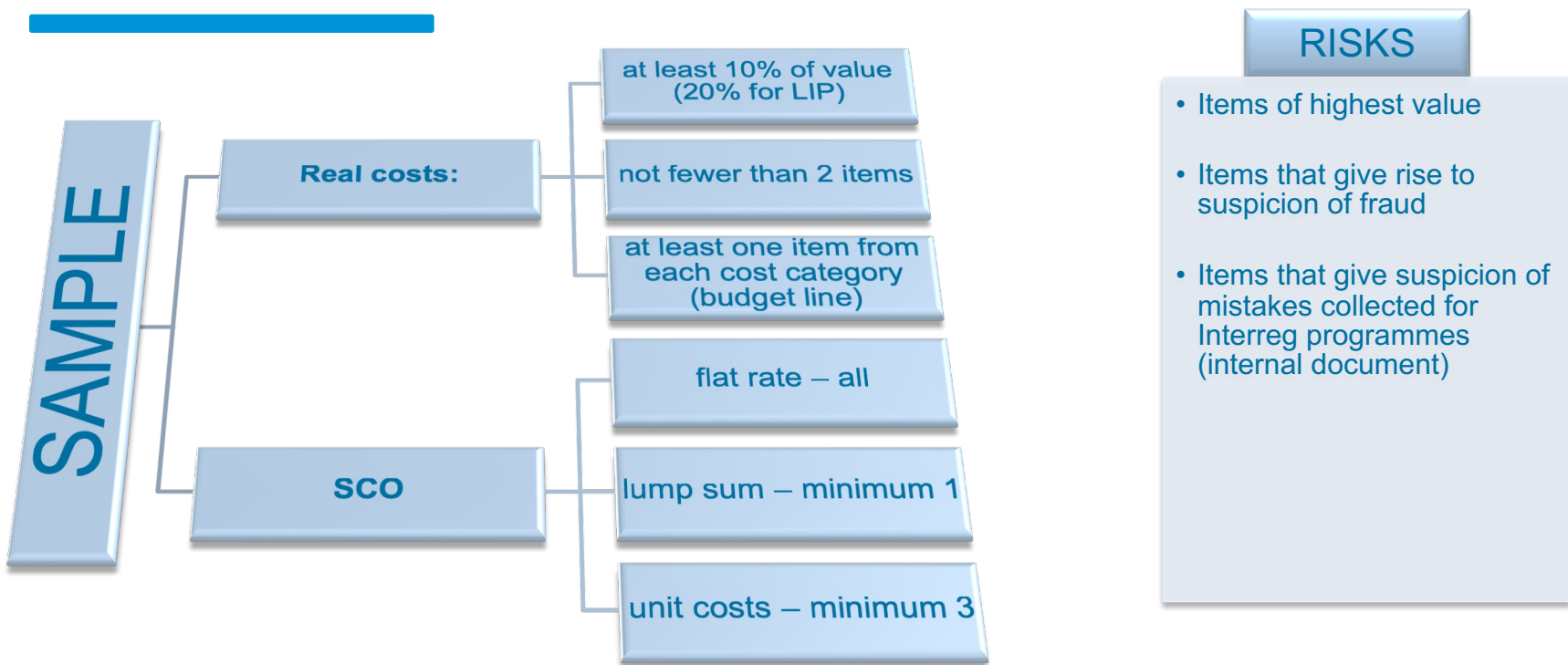
The payment claim is a subject to detailed verification when the acceptable risk threshold is exceeded (no fixed minimum number or value of payment claims to be checked)

The risk factors weights and the acceptable risk threshold may be set and modified individually for an accounting year

Risk factors and acceptable risk threshold should ensure maximum coverage of the expenditures value and reduce the number of payment claims verified in details

We estimate that the number of verified payment claims will be about 50%, but coverage of proven expenses will remain high

Step 2. Selection of items inside of risky payment claims



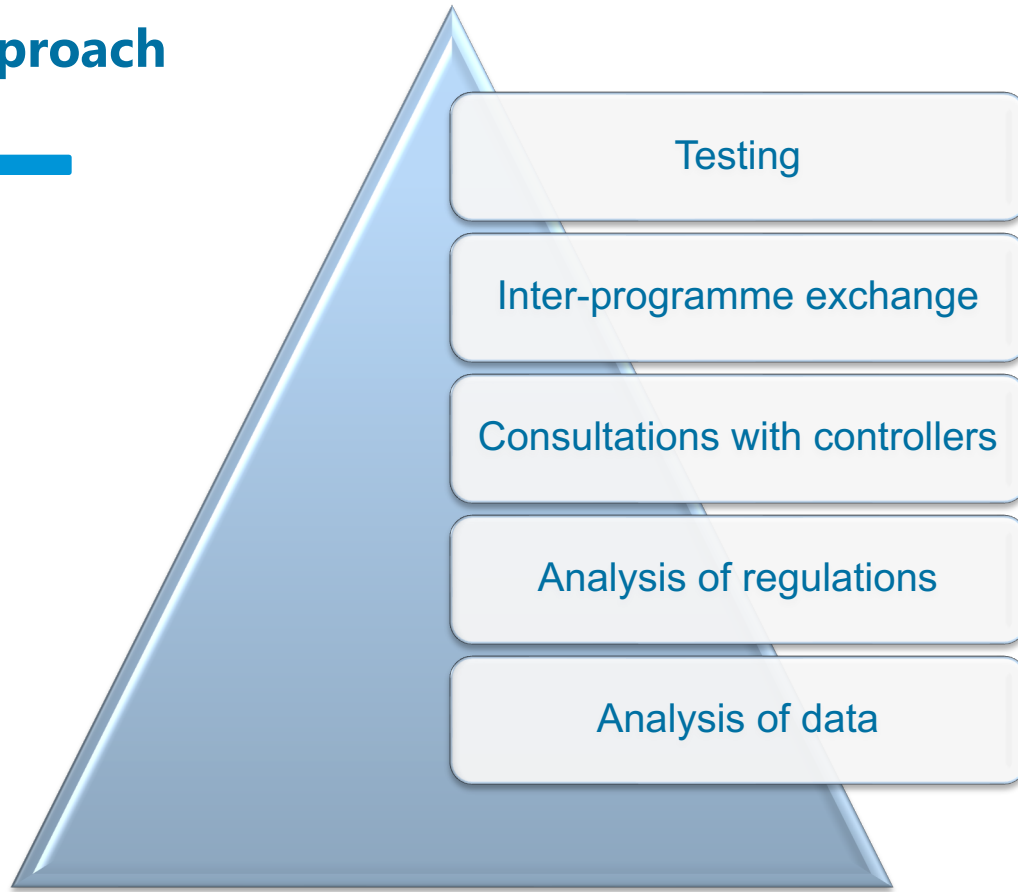
Selection of public procurement – risk based

- The analysis is conducted for each public procurement – even if a payment claim is not selected as a risky one
- Risky procurement does not change the „status” of a payment claim – verification of procurement may be done without checking the payment claim

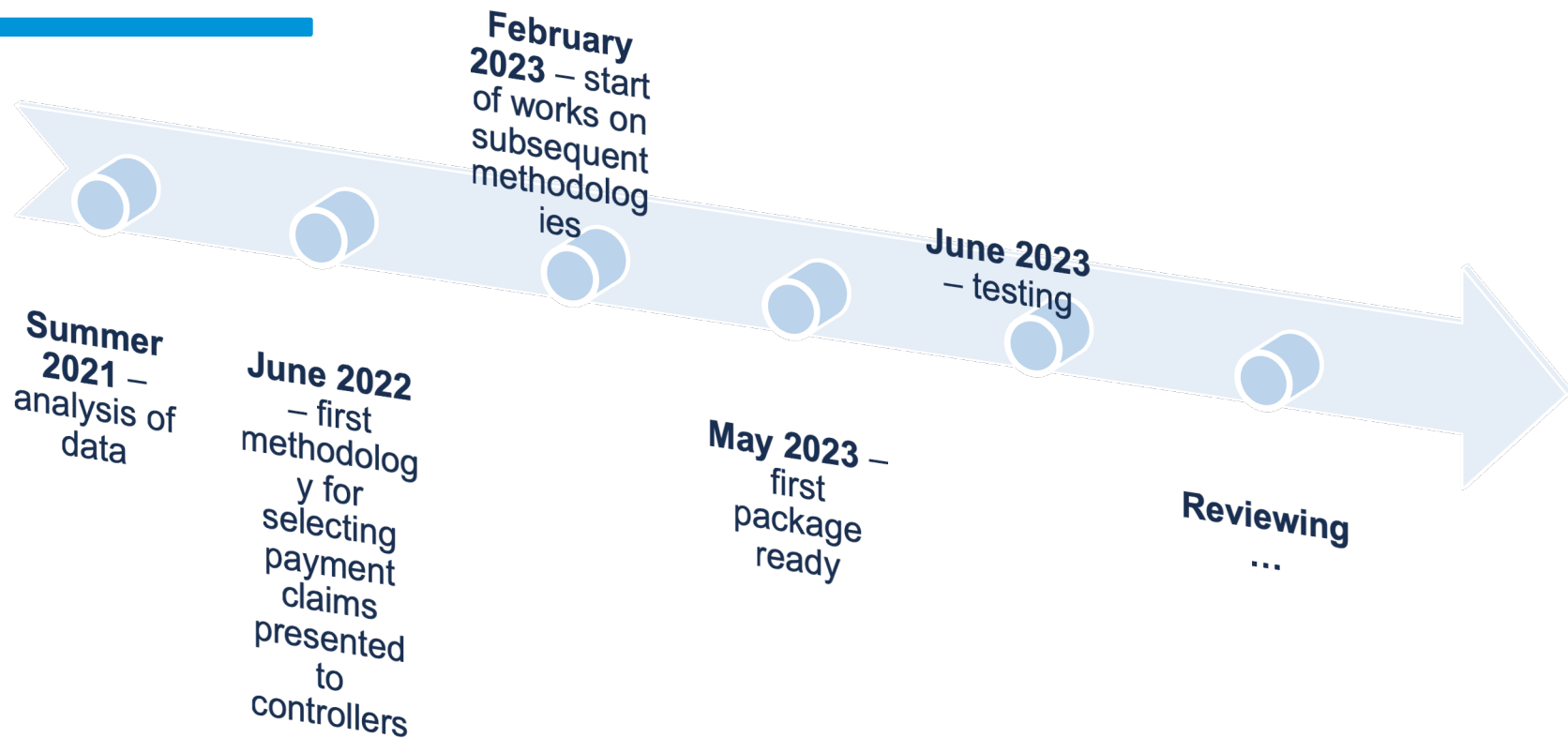
Selection of public procurement



Risk-based approach



Timeline



Challenges that we had faced

- collection of data;
- no experience so far;
- setting the risk level (to set the minimum % level or not?)
- confronting the methodology with end users – controllers' perspective vs. MA assurance;
- testing, adjusting, reviewing.

MINISTRY OF DEVELOPMENT FUNDS
AND REGIONAL POLICY



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