

RISK-BASED MANAGEMENT VERIFICATIONS METHODOLOGY “INTERREG VI - B IPA ADRIATIC IONIAN COOPERATION PROGRAMME 2021-2027 “IPA ADRION” (Version 2 – May 2024) – REVIEW 2024

THE RISK-BASED APPROACH TO THE MANAGEMENT VERIFICATIONS

The Managing Authority of “IPA ADRION” Programme identified the risks ex ante and in writing, which became a part of its procedures in the first version of the “RISK-BASED MANAGEMENT VERIFICATIONS METHODOLOGY “INTERREG VI - B IPA ADRIATIC IONIAN COOPERATION PROGRAMME 2021-2027 “IPA ADRION”, attached to the Document of Management and Control System (Annex 15).

The Management verifications included in the risk assessment plan for the accounting year (both administrative and on the spot) are carried out before the preparation of the annual accounts.

According to the “Guidance on the risk-based management verifications for 2021- 2027 and HIT methodology” realized by INTERACT, the methodology for the risk-based management verifications can be revised and updated periodically, using the results and findings of previous administrative and on-the-spot verifications. The Managing Authority might consider updating its methodology based on the recommendations and findings arising from the system audits and audits of operations. This assessment of risk for the management verifications has to be considered as a review of the methodology already adopted by the Managing Authority in the year 2023.

Since the risk assessment should be based on the analysis of historical Programme data and considering that the first analysis was related to data until the 31/01/2022, the Managing Authority analyzed the data related to the Programme “ADRION 2014/2020” having identified as the cut-off date the 31 December 2023.

The risk analysis was performed firstly by analyzing the historical data related to the Programme “ADRION 2014/2020” present in the file excel downloaded from the system “PBI ADRION”, selecting from the section “FLC Controls Details” by applying the time filter the Period from the 01/01/2016 to 31/12/2023. The Managing Authority also analyzed the data extracted from the file updated on e-MS from the Section “Programme Tables” – “Management verification overview” selecting all the deductions performed by FLCs from the date of 01/01/2016 to the date of 31/12/2023: in this case, the analysis performed by the Managing Authority was strictly limited to the evaluation of the data related to the “Reason for correction” by referring to the categories “Budget line”.

The total amount certified by FLCs from 01/10/2018 to 31/12/2023 is Euro 108.384.323,00. The total amount of FLCS deductions performed during the Period from 01/10/2018 to 31/12/2023 is Euro 2.065.479,00. Total percentage of FLC deductions by FLCs from 01/10/2018 to 31/12/2023 on the total amount certified by FLCs during the Period from 01/10/2018 to 31/12/2023: 1,91%. In this case we may notice a reduction in the percentage of FLCs deductions form 2,05% to 1,91% compared to the period analysed previously (for a percentage of 0,14%).

The results of the analysis of the historical data are as follows:

- The riskiest costs categories identified are “Travel and accommodation costs” and “Equipment”.
- The riskiest Periods are “Period 4” and “Period 5”.
- The riskiest Partner Legal Status is represented by Private Partners.
- The riskiest Partner Role is represented by Project Partners.
- The Type of Control during which were performed the greatest number of deductions by FLCs is represented by desk checks.

- The FLCs Country ERDF which performed the greatest number of deductions is represented by Slovenian FLCs.
- The FLCs Country IPA II which performed the greatest number of deductions is represented by Albanian FLCs.
- The first most recurring category of reasons justifying the deductions performed by FLCs is “Incorrect use of simplified cost option/Miscalculation/Breach of sound financial management principle/Accounting and calculation errors at project level/Wrong application of the methodology (off-the-shelf or other)/Noncompliance with the principle of sound financial management” and the second most recurring category of reasons “Incomplete audit trail, missing evidence/Missing or incorrect supporting information or documentation/Lack or incomplete audit trail”.

Below is exposed the analysis of historical data on details.

ANALYSIS OF HISTORICAL DATA

Category “Budget line”

Total Amount of FLCs deductions for the category “Staff costs” and “Office and administrations costs”: **Euro 963.943,00**. Total Amount certified by FLCs for the category “Staff costs” and “Office and administrations costs”: **Euro 57.680.441,00**. Total percentage of FLCs deductions: **1,67%**.

Total Amount of FLCs deductions for the category “Travel and accommodation costs”: **Euro 144.055,00**. Total Amount certified by FLCs for the category “Travel and accommodation costs”: **Euro 3.996.649,00**. Total percentage of FLCs deductions: **3,60%**.

Total Amount of FLC deductions for the category “External expertise and services”: **Euro 765.442,00**. Total Amount certified for the category “External expertise and services”: **Euro 41.135.030,00**. Total percentage of FLC deductions: **1,86%**.

Total Amount of FLC deductions for the category “Equipment”: **Euro 192.039,00**. Total Amount certified for the category “Equipment”: **Euro 5.572.203,00**. Total percentage of FLC deductions: **3,45%**.

Category "Budget Line"			
Budget Line	FLCs Deductions	Amount certified by FLCs	Percentage
Staff costs and office administration	€ 963.943,00	€ 57.680.441,00	1,67%
Travel and accomodation costs	€ 144.055,00	€ 3.996.649,00	3,60%
External expertise and services	€ 765.442,00	€ 41.135.030,00	1,86%
Equipments	€ 192.039,00	€ 5.572.203,00	3,45%
	€ 2.065.479,00	€ 108.384.323,00	1,91%

In this case, we may notice that the riskiest categories remained the same: “Travel and accommodation costs” (percentage of FLCs deductions on the total amount certified by FLCs: 3,60%) and “Equipment” (percentage of FLCs deductions on the total amount certified by FLCs: 3,45%). By comparison with data previously examined, the percentage of FLCs deduction for both the categories has decreased (for the 0,62% in relation to the “Travel and accommodation costs” and for the 1,79% regarding the category “Equipment”), This percentage has decreased also for the category “External expertise and services” for the 0,48%, however this percentage has increased only for the category “Staff costs and office administration” (for the 0,14%). The reduction of the percentage results from the analysis of the data for all the categories concerned if we consider the absolute values.

Category “Period”

“Period 0”

Total Amount certified by FLCs for the “Period 0” (related to “preparation costs”): **Euro 621.417,00**. There are no deductions performed by FLCs for the “Period 0”. Please note that the preparation costs have been designed in the “ADRION Programme” as “lump sums”.

“Period 1”

Total amount of FLCs deductions for the “Period 1”: **Euro 299.869,00**. Total Amount certified by FLCs for the “Period 1”: **Euro 16.358.772,00**. Total percentage of FLCs deductions: **1,83%**.

“Period 2”

Total amount of FLCs deductions for the “Period 2”: **Euro 217.529,00**. Total Amount certified by FLCs for the “Period 2”: **Euro 13.277.799,00**. Total percentage of FLCs deductions: **1,64%**.

“Period 3”

Total amount of FLCs deductions for the “Period 3”: **Euro 325.130,00**. Total Amount certified by FLCs for the “Period 3”: **Euro 15.703.612,00**. Total percentage of FLCs deductions: **2,07%**.

“Period 4”

Total amount of FLCs deductions for the “Period 4”: **Euro 743.669,00**. Total Amount certified by FLCs for the “Period 4”: **Euro 32.748.048,00**. Total percentage of FLCs deductions: **2,27%**.

“Period 5”

Total amount of FLCs deductions for the “Period 5”: **Euro 446.783,00**. Total Amount certified by FLCs for the “Period 5”: **Euro 20.763.128,00**. Total percentage of FLCs deductions: **2,15%**.

“Period 6”

Total amount of FLCs deductions for the “Period 6”: **Euro 3.697,00**. Total Amount certified by FLCs for the “Period 6”: **Euro 1.291.936,00**. Total percentage of FLCs deductions: **0,29%**.

“Period 7”

Total amount of FLCs deductions for the “Period 7”: **Euro 612,00**. Total Amount certified by FLCs for the “Period 7”: **Euro 619.089,00**. Total percentage of FLCs deductions: **0,10%**.

“Period 8”

Total amount of FLCs deductions for the “Period 8”: **Euro 642,00**. Total Amount certified by FLCs for the “Period 8”: **Euro 589.086,00**. Total percentage of FLCs deductions: **0,11%**.

“Period 9”

Total amount of FLCs deductions for the “Period 9”: **Euro 6.561,00**. Total Amount certified by FLCs for the “Period 9”: **Euro 625.829,00**. Total percentage of FLCs deductions: **1,05%**.

“Period 10”

Total amount of FLCs deductions for the “Period 10”: **Euro 6.811,00**. Total Amount certified by FLCs for the “Period 10”: **Euro 715.350,00**. Total percentage of FLCs deductions: **0,95%**.

“Period 11”

Total amount of FLCs deductions for the “Period 11”: **Euro 575,00**. Total Amount certified by FLCs for the “Period 11”: **Euro 874.685,00**. Total percentage of FLCs deductions: **0,07%**.

“Period 12”

Total amount of FLCs deductions for the “Period 12”: **Euro 666,00**. Total Amount certified by FLCs for the “Period 12”: **Euro 830.968,00**. Total percentage of FLCs deductions: **0,08%**.

Period 12”

Total amount of FLCs deductions for the “Period 12”: **Euro 12.935,00**. Total Amount certified by FLCs for the “Period 12”: **Euro 3.364.604,00**. Total percentage of FLCs deductions: **0,38%**.

Category "Period"			
Period	FLCs Deductions	Amount certified by FLCs	Percentage
Period 0	€ -	€ 621.417,00	-
Period 1	€ 299.869,00	€ 16.358.772,00	1,83%
Period 2	€ 217.529,00	€ 13.277.799,00	1,64%
Period 3	€ 325.130,00	€ 15.703.612,00	2,07%
Period 4	€ 743.669,00	€ 32.748.048,00	2,27%
Period 5	€ 446.783,00	€ 20.763.128,00	2,15%
Period 6	€ 3.697,00	€ 1.291.936,00	0,29%
Period 7	€ 612,00	€ 619.089,00	0,10%
Period 8	€ 642,00	€ 589.086,00	0,11%
Period 9	€ 6.561,00	€ 625.829,00	1,05%
Period 10	€ 6.811,00	€ 715.350,00	0,95%
Period 11	€ 575,00	€ 874.685,00	0,07%
Period 12	€ 666,00	€ 830.968,00	0,08%
Period 13	€ 12.935,00	€ 3.364.604,00	0,38%
	€ 2.065.479,00	€ 108.384.323,00	1,91%

Concerning the category “Periods”, in this we noticed that the riskiest Periods are “Period 4” (percentage of FLCs deductions on the total amount certified by FLCs: 2,27%) and “Period 5” (percentage of FLCs deductions on the total amount certified by FLCs: 2,15%). By comparison with data previously examined, the percentage of FLCs deduction in general for the “Periods” category has decreased (significantly or the 0,69% in relation to the “Period 1”, that previously appeared to be one of the riskiest Periods), We may also notice an important increase for the “Period 5”, for which the percentage of FLCs deduction has increased from the 1,38% to the 2,15% (+ 0,78%), with the consequence that “Period 5” is one of the riskiest Periods jointly with “Period 4”.

Please note that within the List of Expenditures downloaded by on the information system used “eMS” at the date of 31 December 2023 (as well as within the file excel downloaded from the “PBI ADRION”, selecting from the section “FLC Controls Details” by applying the time filter the Period from the 01/01/2016 to 31/12/2023) the Periods from the n. 6 to the n. 13 are only related to the Strategic Project “EUSAIR Facility Point – ID 815” concerning the Priority Axis n. 4.

Category “Partner Legal Status”

“Private Status”

Total Amount of FLC deductions for the category “Private Status”: **Euro 241.436,00**. Total Amount certified for the category “Private Status”: **Euro 7.699.487,00**. Total percentage of FLC deductions: **3,14%**.

“Public Status”

Total Amount of FLC deductions for the category “Public Status”: **Euro 1.824.043,00**. Total Amount certified for the category “Public Status”: **Euro 100.684.836,00**. Total percentage of FLC deductions: **1,81%**.

Legal Status	FLC Deductions	Amount certified by FLC	Percentage
Private	€ 241.436,00	€ 7.699.487,00	3,14%
Public	€ 1.824.043,00	€ 100.684.836,00	1,81%
	€ 2.065.479,00	€ 108.384.323,00	1,91%

The riskiest Partner Legal Status is still represented by Private Partners (percentage of FLCs deductions on the total amount certified by FLCs: 3,14%) If we consider the data previously examined, the percentage of FLCs deduction for the “Partner Legal Status” category has decreased, respectively for the 0,32% for the category “Private Status” and for the 0,12% about the category “Public Status”.

Category “Partner Role”

“Lead Partner”

Total Amount of FLCs deductions for the category “Lead Partner”: **Euro 207.085,00**. Total Amount certified by FLCs for the category “Lead Partner”: **Euro 23.500.082,00**. Total percentage of FLCs deductions: **0,88%**.

“Project Partner”

Total Amount of FLCs deductions for the category “Project Partner”: **Euro 1.858.394,00**. Total Amount certified by FLCs for the category “Public Status”: **Euro 84.884.241,00**. Total percentage of FLCs deductions: **2,19%**.

Category "Partner Role"			
Partner Role	FLCs Deductions	Amount certified by FLCs	Percentage
Lead Partner	€ 207.085,00	€ 23.500.082,00	0,88%
Project Partner	€ 1.858.394,00	€ 84.884.241,00	2,19%
	€ 2.065.479,00	€ 108.384.323,00	1,91%

The riskiest Partner Role is represented by Project Partners (percentage of FLCs deductions on the total amount certified by FLCs: 2,19%). In general, by comparison with data previously examined, the percentage of FLCs deduction for the “Partner Role” category has decreased, respectively for the 0,05% for the category “Lead Partner” and for the 0,18% about the category “Project Partner”.

Category “FLC Country ERDF”

“Croatia”

Total Amount of FLCs deductions performed by Croatian FLCs: **Euro 167.421,00**. Total Amount certified by Croatian FLCs: **Euro 16.585.715,00**. Total percentage of FLCs deductions: **1,01%**.

“Greece”

Total Amount of FLC deductions performed by Greek FLCs: **Euro 569.559,00**. Total Amount certified by Greek FLCs: **Euro 16.506.085,00**. Total percentage of FLCs deductions: **3,45%**.

“Italy”

Total Amount of FLCs deductions performed by Italian FLCs: **Euro 121.230,00**. Total Amount certified by Italian FLCs: **Euro 41.573.540,00**. Total percentage of FLCs deductions: **0,29%**.

“Slovenia”

Total Amount of FLCs deductions performed by Slovenian FLCs: **Euro 584.836,00**. Total Amount certified by Slovenian FLCs: **Euro 16.125.063,00**. Total percentage of FLCs deductions: **3,63%**.

FLCs Country ERDF			
State	FLC Deductions	Amount certified by FLC	Percentage
Croatia	€ 167.421,00	€ 16.585.715,00	1,01%
Greece	€ 569.559,00	€ 16.506.085,00	3,45%
Italy	€ 121.230,00	€ 41.573.540,00	0,29%
Slovenia	€ 584.836,00	€ 16.125.063,00	3,63%
	€ 1.443.046,00	€ 90.790.403,00	1,59%

The FLCs Country ERDF which performed the greatest number of deductions is represented by Slovenian FLCs (percentage of FLCs deductions on the total amount certified by FLCs: 3,63%). If we consider the data previously examined, we may notice a general decrease in percentage of FLCs deduction performed by FLCs Country ERDF, except for the Slovenian FLCs for which the increase in the percentage is the 0,30%: consequently, the Slovenian FLCs performed the greatest number of deductions between FLCs Country ERDF.

Category “FLC Country IPA II”

“Albania”

Total Amount of FLCs deductions performed by Albanian FLCs: **Euro 449.572,00**. Total Amount certified by Albanian FLCs: **Euro 4.451.962,00**. Total percentage of FLCs deductions: **10,10%**.

“Bosnia”

Total Amount of FLCs deductions performed by Bosnian FLCs: **Euro 31.057,00**. Total Amount certified by Bosnian FLCs: **Euro 2.998.391,00**. Total percentage of FLCs deductions: **0,72%**.

“Montenegro”

Total Amount of FLCs deductions performed by Montenegrin FLCs: **Euro 18.364,00**. Total Amount certified by Montenegrin FLCs: **Euro 4.025.852,00**. Total percentage of FLCs deductions: **0,46%**.

“Serbia”

Total Amount of FLCs deductions performed by Serbian FLCs: **Euro 123.440,00**. Total Amount certified by Serbian FLCs: **Euro 4.774.267,00**. Total percentage of FLCs deductions: **2,59%**.

FLCs Country IPA II			
State	FLCs Deductions	Amount certified by FLCs	Percentage
Albania	€ 449.572,00	€ 4.451.962,00	10,10%
Bosnia	€ 31.057,00	€ 4.341.839,00	0,72%

Montenegro	€ 18.364,00	€ 4.025.852,00	0,46%
Serbia	€ 123.440,00	€ 4.774.267,00	2,59%
	€ 622.433,00	€ 17.593.920,00	3,54%

The FLCs Country IPA II which performed the greatest number of deductions is still represented by Albanian FLCs (percentage of FLCs deductions on the total amount certified by FLCs: 10,10%). As for the FLCs Country ERDF, if we consider the data previously examined, we may notice a general decrease in percentage of FLCs deduction performed by FLCs Country IPA II, except for the Serbian FLCs for which the increase in the percentage is the 0,69%

Category “Type of Control”

“On the spot”

Total Amount of FLC deductions performed by FLCs during the on-the-spot checks: **Euro 319.360,00**. Total Amount certified by FLCs during the on-the-spot checks: **Euro 22.760.195,00**. Total percentage of FLCs deductions during the on-the-spot checks: **1,40%**.

“Desk”

Total Amount of FLCs deductions performed by FLC during the desk checks: **Euro 1.746.119,00**. Total Amount certified FLCs during the desk checks: **Euro 85.624.128,00**. Total percentage of FLC deductions performed by FLCs during the desk checks: **2,04%**.

Type of Control	FLCs Deductions	Amount certified by FLCs	Percentage
On the spot	€ 319.360,00	€ 22.760.195,00	1,40%
Desk	€ 1.746.119,00	€ 85.624.128,00	2,04%
	€ 2.065.479,00	€ 108.384.323,00	1,91%

The Type of Control during which were performed the greatest number of deductions by FLCs is still represented by desk checks (percentage of FLCs deductions on the total amount certified by the FLCs: 2,04%). In general, by comparison with data previously examined, the percentage of FLCs deduction for the “Type of Control” category has decreased, respectively for the 0,21% for the category “on-the-spot checks” and for the 0,09% about the category “desk checks”.

Type of Control	Amount certified by FLCs during the OTS checks	Total Amount certified by FLCs	Percentage
On the spot	€ 22.760.195,00	€ 108.384.323,00	21,00%

Please note that the amount certified by FLCs during the on-the-spot checks represent the 21,00% of the total amount certified by the FLCs, with an increase of the 4,67% by comparison with data previously examined.

Category “Reason for correction”

Please note that the categorization of the types of correction presents several inconsistencies or empty fields, due to fact that the system “e-MS” doesn’t require the entry of the reason as mandatory information at the time of the fulfillment of deductions by FLCs. Furthermore, on “e-MS” there are no pre-

filled information about the reason of the deduction, consequently the specific reason for every deduction is freely fillable information by FLCs.

The Managing Authority decided to analyze the data related to the “Reason for correction” by referring to the categories “Budget line”, considering that the reason for correction is strictly linked to that typology of budget line.

The Managing Authority analyzed the data extracted from the file updated on e-MS form the Section “Programme Tables” – “Management verification overview” selecting the deduction performed by FLCs from the date of 01/01/2016 to the date of 31/12/2023.

Please note that also in this case the total amount of deductions performed by FLCs does not coincide with the total amount of deductions performed by FLCs as indicated on the file downloaded from the PBI ADRION (for the same type of deductions and related to the same period). The Managing Authority decided however to analyze this data, in order to verify what are the most recurring reasons justifying the deductions performed by FLCs.

The most common reasons justifying the deductions performed by FLCs are classified in the category “Incorrect use of simplified cost option/Miscalculation/Breach of sound financial management principle/Accounting and calculation errors at project level/Wrong application of the methodology (off-the-shelf or other)/Noncompliance with the principle of sound financial management” (for a total amount of deductions performed by FLCs equal to Euro 801.029,94).

As in the analysis of “Reason for correction” previously carried out, the second most recurring category of reasons justifying the deductions performed by FLCs is “Incomplete audit trail, missing evidence/Missing or incorrect supporting information or documentation/Lack or incomplete audit trail” (for a total amount of deductions performed by FLCs equal to Euro 478.637,43).

Reason for correction	Staff costs	Office and administration	Travel and accommodation	External expertise and services	Equipment	Total	Percentage Staff Costs	Percentage Travel Costs	Percentage External Expertise Costs	Percentage Equipment Costs
Incomplete audit trail, missing evidence/missing or incorrect supporting information or documentation/Lack or incomplete audit trail	€ 128.888,22	€ 12.888,82	€ 52.434,75	€ 250.446,84	€ 33.978,80	€ 478.637,43	29,62	10,96	52,32	0,07
Incorrect public procurement/For the award of contracts in the field of defence and security falling under directive 2009/81/EC/Unlawful and/or discriminatory selection and/or award criteria laid down in the contract notice or tender/Selection criteria not related and proportionate to the subject matter of the contract/Discriminatory technical specifications/Modification of selection criteria after opening of tenders, resulting in incorrect acceptance of tenderers/Conflict of interest/Award of additional works/services/supplies contracts (if such award constitutes a substantial modification of the original terms of the contract) without competition in the absence of the applicable conditions (extreme urgency brought about by unforeseeable events, an unforeseen circumstance for complementary works, services, supplies)/ Information and publicity error/Reduction in the scope of the contract/Others	€ 7.515,55	€ 751,56	€ 1.487,27	€ 196.067,58	€ 25.790,14	€ 231.612,10	3,57	0,64	84,65	0,11
Incorrect use of simplified cost option/Miscalculation/Breach of sound financial management principle/Accounting and calculation errors at project level/Wrong application of the methodology (off-the-shelf or other)/Non compliance with the principle of sound financial management	€ 522.065,15	€ 52.206,52	€ 66.758,32	€ 102.104,17	€ 57.895,78	€ 801.029,94	71,69	8,33	12,75	0,07
VAT not eligible/ineligible VAT or other taxes	€ 2.648,24	€ 264,82	€ 1.395,67	€ 21.853,60	€ 4.678,65	€ 30.840,98	9,45	4,53	70,86	0,15
Cost declared twice/Double funding	€ 19.567,92	€ 1.956,79	€ 10.680,55	€ 98.931,20	€ 86.169,33	€ 217.305,79	9,91	4,91	45,53	0,40
Expenditure incurred before or after the eligibility period (i.e. project duration)	€ 137.964,70	€ 13.796,47	€ 11.411,88	€ 98.255,22	€ 11.868,65	€ 273.296,92	55,53	4,18	35,95	0,04
No or insufficient link to project/Expenditure not paid by beneficiary/Expenditure not related to the project	€ 11.241,38	€ 1.124,14	€ 4.682,81	€ 2.589,00	€ 28,68	€ 19.666,01	62,88	23,81	13,16	0,00
Positive correction	-€ 1.089,44	-€ 105,79	-€ 324,21	-€ 228,62	€ 0,00	-€ 1.748,06	68,37	18,55	13,08	-
No comments or justifications inserted by FLCs	€ 70.611,77	€ 7.061,18	€ 5.393,00	€ 60.393,39	€ 3.231,90	€ 146.691,24	52,95	3,68	41,17	0,02
	€ 899.413,49	€ 89.944,50	€ 153.920,04	€ 830.412,38	€ 223.641,93	€ 2.197.332,34	45,03	7,00	37,79	0,10

FINDINGS ANALYSIS

In addition, the Managing Authority analyzed the findings present on the information system used “eMS” on the Section “Corrections and Audits” and “Financial corrections (findings)”, which contains all the findings created up to the date of 31 December 2023.

Please note that also in this case, it was no possible to distinguish in relation to the total eligible amount controlled the amounts related to the “Budget Lines”, to the “Periods”, to the “Partner Legal Status” or to the “Partner Role” since this information is not present in this file. Consequently, the assessment was carried out by comparing the individual amounts with the total eligible amount controlled.

The results of the analysis of the findings are as follows:

- The riskiest costs categories identified are “External expertise and services” and “Travel and accommodation costs”.
- The riskiest Periods are “Period 4” and “Period 1”.
- The riskiest Partner Legal Status is represented by Public Partners.
- The riskiest Partner Role is represented by Project Partners.
- The Type of Control during which were performed the greatest number of findings is represented by desk checks/others.
- The most common reasons for findings are “Incorrect public procurement” and “Cost declared twice”. The third most common reason for findings is represented by “Incomplete audit trail, missing evidence”.

Below is exposed the analysis of findings on details.

Category Budget line

Total Amount corrected for all findings (including flat rates): **Euro 65.808,62**. Total amount eligible controlled: **Euro 3.144.365,17** (percentage of findings on the total amount eligible controlled: 2,09%).

Total Amount corrected for the category “Staff costs” and “Office and administrations costs”: **Euro 6.110,17** (percentage of findings on the total amount eligible controlled: **0,19%**).

Total Amount corrected for the category “Travel and accommodation costs”: **Euro 7.518,21** (percentage of findings on the total amount eligible controlled: **0,24%**).

Total Amount corrected for the category “External expertise and services”: **Euro 52.180,24** (percentage of findings on the total amount eligible controlled: **1,66%**).

Category “Budget Line”			
Budget Line	Total Amount Corrected	Total Eligible Controlled	Percentage
Staff costs and office administration	€ 6.110,17	€ 3.144.365,17	0,19%
Travel and accomodation costs	€ 7.518,21	€ 3.144.365,17	0,24%
External expertise and services	€ 52.180,24	€ 3.144.365,17	1,66%
Equipments	€ -	€ 3.144.365,17	-
	€ 65.808,62	€ 3.144.365,17	2,09%

The riskiest costs category identified is “External expertise and services” (percentage of findings on the total amount eligible controlled: 1,66%) and “Travel and accommodation costs” (percentage of findings on the total amount eligible controlled: 0,24%)

Please note that within the Category “Budget line” of the finding downloaded on “eMS” on the Section “Corrections and Audits” and “Financial corrections (findings)” related to all findings created up to the date of 31 December 2023 are not present any typology of findings related to the Category “Equipment”.

Category “Period”

- “Period 0” (total amount corrected: Euro 264) (percentage of findings on the total amount eligible controlled: 0,01%).
- “Period 1” (total amount corrected: Euro 21.987,51) (percentage of findings on the total amount eligible controlled: 0,70%).
- “Period 2” (total amount corrected: Euro 10.163,30) (percentage of findings on the total amount eligible controlled: 0,32%).
- “Period 3” (total amount corrected: Euro 7.318,61) (percentage of findings on the total amount eligible controlled: 0,23%).
- “Period 4” (total amount corrected: Euro 26.065,12) (percentage of findings on the total amount eligible controlled: 0,83%).
- “Period 5” (total amount corrected: Euro 10,08) (percentage of findings on the total amount eligible controlled: 0,00%).

Category "Period"			
Period	Total Amount Corrected	Total Eligible Controlled	Percentage
Period 0	€ 264,00	€ 3.144.365,17	0,01%
Period 1	€ 21.987,51	€ 3.144.365,17	0,70%
Period 2	€ 10.163,30	€ 3.144.365,17	0,32%
Period 3	€ 7.318,61	€ 3.144.365,17	0,23%
Period 4	€ 26.065,12	€ 3.144.365,17	0,83%
Period 5	€ 10,08	€ 3.144.365,17	0,00%
	€ 65.808,62	€ 3.144.365,17	2,09%

The riskiest Periods are “Period 4” (total amount corrected: Euro 26.065,12) (percentage of findings on the total amount eligible controlled: 0,83%) and “Period 1” (total amount corrected: Euro € 21.987,51) (percentage of findings on the total amount eligible controlled: 0,70%).

Category “Partner Legal Status”

“Private Status”

Total amount corrected: Euro 0,00. Percentage of findings on the total amount eligible controlled: 0,00%.

“Public Status”

Total amount corrected: Euro 65.808,62. Percentage of findings on the total amount eligible controlled: 2,09%.

Category "Partner Legal Status"			
Legal Status	Total Amount Corrected	Total Eligible Controlled	Percentage

Private	€ -	€ 3.144.365,17	-
Public	€ 65.808,62	€ 3.144.365,17	2,09%
	€ 65.808,62	€ 3.144.365,17	2,09%

The riskiest Partner Legal Status is represented by Public Partners (Percentage of findings on the total amount eligible controlled: 2,09%).

Please note that within the Category “Partner Legal Status” of the findings downloaded on “eMS” on the Section “Corrections and Audits” and “Financial corrections (findings)” downloaded at the date of 31 December 2023 are not present any typology of findings related to Private Partners.

Category “Partner Role”

“Lead Partner”

Total amount corrected: **Euro 27.863,50**. Percentage of findings on the total amount eligible controlled: **0,89%**.

“Project Partner”

Total amount corrected: **Euro 37.945,12**. Percentage of findings on the total amount eligible controlled: **1,21%**.

Category "Partner Role"			
Partner Role	Total Amount Corrected	Total Eligible Controlled	Percentage
Lead Partner	€ 27.863,50	€ 3.144.365,17	0,89%
Project Partner	€ 37.945,12	€ 3.144.365,17	1,21%
	€ 65.808,62	€ 3.144.365,17	2,09%

The riskiest Partner Role is represented by Project Partners (Percentage of findings on the total amount eligible controlled: 1,21%).

Category “Partner Nationality”

- “Croatia” (total amount corrected: Euro - 1.174,61) (percentage of findings on the total amount eligible controlled: -0,04%).
- “Greece” (total amount corrected: Euro 5.215,33) (percentage of findings on the total amount eligible controlled: 0,17%).
- “Italy” (total amount corrected: Euro 48.182,78) (percentage of findings on the total amount eligible controlled: 1,53%).
- “Slovenia” (total amount corrected: Euro 1.437,81) (percentage of findings on the total amount eligible controlled: 0,05%).
- “Albania” (total amount corrected: Euro 7.383,68) (percentage of findings on the total amount eligible controlled: 0,23%).
- “Serbia” (total amount corrected: Euro 949,16) (percentage of findings on the total amount eligible controlled: 0,03%).

Category "Partner Nationality"			
State	Total Amount Corrected	Total Eligible Controlled	Percentage
Croatia	-€ 1.174,61	€ 3.144.365,17	- 0,04%

Greece	€ 5.215,33	€ 3.144.365,17	0,17%
Italy	€ 48.182,78	€ 3.144.365,17	1,53%
Slovenia	€ 1.437,81	€ 3.144.365,17	0,05%
Albania	€ 7.383,68	€ 3.144.365,17	0,23%
Bosnia	€ 3.814,47	€ 3.144.365,17	0,12%
Montenegro	€ 0,00	€ 3.144.365,17	-
Serbia	€ 949,16	€ 3.144.365,17	0,03%
	€ 65.808,62	€ 3.144.365,17	2,09%

Please note that within the Category “Partner Nationality” of the findings downloaded on “eMS” on the Section “Corrections and Audits” and “Financial corrections (findings)” downloaded at the date of 31 December 2023 are not present any typology of findings related to Montenegrin Partners.
Please also note that within the Category “Partner Nationality” of the findings downloaded on “eMS” on the Section “Corrections and Audits” and “Financial corrections (findings)” downloaded at the date of 31 December 2023 the total amount of findings related to Croatian Partners are classified only as “positive corrections”. More in details, the total amount of negative corrections is Euro 66.983,23, while the total amount of positive corrections is Euro 1.174,61.

Category “Type of Control”

“On the spot”

Total Amount corrected during the on-the-spot checks: **Euro 831,61**. Total Amount Eligible Controlled during the on-the-spot checks: **Euro 812.045,32**. Total percentage of findings on the total amount eligible controlled: **0,10%**.

“Desk/Others”

Total Amount corrected during the desk checks/others: **Euro 64.977,01**. Total Amount Eligible Controlled during the during the desk checks/others: **Euro 2.332.319,85**. Total percentage of findings on the total amount eligible controlled: **2,79%**.

The Type of Control during which were performed the greatest number of findings is still represented by desk checks/others (total percentage of findings on the total amount eligible controlled: 2,79%)

Category "Type of Control"			
Type of Control	Total Amount Corrected	Total Eligible Controlled	Percentage
On the spot checks	€ 831,61	€ 812.045,32	0,10%
Desk Checks/Others	€ 64.977,01	€ 2.332.319,85	2,79%
	€ 65.808,62	€ 3.144.365,17	2,09%

Please note that the total eligible amount controlled during the on-the-spot checks represent the 25,83% of the total eligible amount controlled.

Category "On the spot checks"			
Type of Control	Total Amount Corrected	Total Eligible Controlled	Percentage
On the spot checks	€ 812.045,32	€ 3.144.365,17	25,83%
Desk Checks/Others	€ 2.332.319,85	€ 3.144.365,17	74,17%

	€ 3.144.365,17	€ 3.144.365,17	100,00%
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Category "Reason for correction"

- "Miscalculation" (total amount corrected: **Euro 286,99**) (total percentage of findings on the total amount eligible controlled: **0,01%**)
- "Incomplete audit trail, missing evidence" (total amount corrected: **Euro 8.337,95**) (total percentage of findings on the total amount eligible controlled: **0,27%**)
- "Incorrect public procurement" (total amount corrected: **Euro 26.736,33**) (total percentage of findings on the total amount eligible controlled: **0,85%**)
- "Public procurement error" (total amount corrected: **Euro 1.616,49**) (total percentage of findings on the total amount eligible controlled: **0,05%**)
- "Cost declared twice" (total amount corrected: **Euro 17.685,66**) (total percentage of findings on the total amount eligible controlled: **0,56%**)
- "VAT not eligible" (total amount corrected: **Euro 7,13**) (total percentage of findings on the total amount eligible controlled: **0,00%**)
- "Positive correction" (total amount corrected: - **Euro 2.430,65**) (total percentage of findings on the total amount eligible controlled: **-0,08%**)
- "Other ineligible expenditure" (total amount corrected: **Euro 7.782,52**) (total percentage of findings on the total amount eligible controlled: **0,25%**)
- "Other" (total amount corrected: **Euro 5.786,20**) (total percentage of findings on the total amount eligible controlled: **0,18%**)

Category "Reason for correction"			
Reason for correction	Total Amount Corrected	Total Eligible Controlled	Percentage
Miscalculation	€ 286,99	€ 3.144.365,17	0,01%
Incomplete audit trail, missing evidence	€ 8.337,95	€ 3.144.365,17	0,27%
Incorrect public procurement	€ 26.736,33	€ 3.144.365,17	0,85%
Public procurement error	€ 1.616,49	€ 3.144.365,17	0,05%
Cost declared twice	€ 17.685,66	€ 3.144.365,17	0,56%
VAT not eligible	€ 7,13	€ 3.144.365,17	0,00%
Positive correction	-€ 2.430,65	€ 3.144.365,17	- 0,08%
Other ineligible expenditure	€ 7.782,52	€ 3.144.365,17	0,25%
Other	€ 5.786,20	€ 3.144.365,17	0,18%
	€ 65.808,62	€ 3.144.365,17	2,09%

The most common reasons for findings are "Incorrect public procurement" (total percentage of findings on the total amount eligible controlled: 0,85%) and "Cost declared twice" (total percentage of findings on the total amount eligible controlled: 0,56%). The third most common reason for findings is represented by "Incomplete audit trail, missing evidence" (total percentage of findings on the total amount eligible controlled: 0,27%).

If we consider the data previously examined (until the 31 December 2022), we may notice a general increase in percentage of findings, for which the percentage on the total eligible amount controlled is increased from the 2,08% to the 2,09% (+ 0,01%).

As already decided by Managing Authority, since the reasons justifying the correction for the category “Other ineligible expenditure” and “Others” are too general, it is impossible to carry out a specific analysis related to these categories.

RISK ASSESSMENT – REVIEW 2024

The analysis of historical data (composed by data related to the Programme “ADRION 2014/2020” present in the file excel downloaded from the system “PBI ADRION”, selecting from the section “FLC Controls Details” by applying the time filter the Period from the 01/01/2016 to 31/12/2023) has highlighted that the riskiest costs categories identified are “Travel and accommodation costs” and “Equipment”. The findings analysis (composed by the findings present on the information system used “eMS” on the Section “Corrections and Audits” and “Financial corrections (findings)”, which contains all the findings created up to the date of 31 December 2023) highlighted that the riskiest costs categories identified are “External expertise and services” and “Travel and accommodation costs”. According to the results of these two analyses, the riskiest costs category is represented by “Travel and accommodation costs”.

Concerning the “travel and accommodation costs”, the “Interreg VI - B IPA Adriatic Ionian Cooperation Programme 2021-2027 “IPA ADRION” pointed out that the:

“Travel and accommodation costs can be calculated according to the following options:

A) Flat rate of 15% of the direct staff costs of IPA beneficiaries; flat rate of 10% of the direct staff costs of ERDF beneficiaries;

B) Real costs”.

Flat rate option can also apply if the beneficiary has chosen the flat rate calculation method for staff costs.

If travel and accommodation costs are calculated through flat rate, beneficiaries do not need to document that the expenditure has been incurred and paid or that the amount corresponds to reality: as a consequence of that, no documentation needs to be provided to the national controller.

The flat rate defined in the approved AF shall be automatically applied by the given PP for reporting travel and accommodation costs in each reporting period.

If part of the Staff costs used as calculation basis for determining the amount of Travel and accommodation costs is found to be ineligible, the corresponding amount of Travel and accommodation expenditure shall be automatically reduced accordingly. The chosen option cannot be changed during project implementation.

In case the flat rate method is applied, the flat rate covers all items mentioned under the real costs option”.

Since the Interreg VI - B IPA Adriatic Ionian Cooperation Programme 2021-2027 IPA ADRION decided, as many Interreg Programmes, to use simplified methods in order to avoid the numerous mistakes and high error rates experienced in the past, this risk analysis will take into account the decision by the single Project Partner to use or not the flat rates for “travel and accommodation costs”. The Managing Authority considered that the extensive use of simplified cost options, and several cost categories in the project are reimbursed using, for example, flat rates (e.g., travel and accommodation costs categories reimbursed as flat rates), the list of expenditures of such Project Partners will be much shorter compared to one where the real costs are used.

Regarding the reason for the deductions or for the findings, the analysis of historical data (composed in this case by the data presents in the file updated on e-MS form the Section “Programme Tables” – “Management verification overview” selecting all the deductions performed by FLCs from the date of 01/01/2016 to the date of 31/12/2023) has proven that the first most recurring category of reasons justifying the deductions performed by FLCs is “Incorrect use of simplified cost option/Miscalculation/Breach of sound financial management principle/Accounting and calculation errors at project level/Wrong application of the methodology (off-the-shelf or other)/Noncompliance with the principle of sound financial management”, while the findings analysis has shown that the first most common reason for corrections is represented by “Incorrect public procurement” and the third most common reason is represented by “Incomplete audit trail, missing evidence”. The most important simplification regarding the set of documents required for the audit trail can be observed when simplified

cost options are used. In particular, no documentation is necessary in situations where the flat rate for the budget lines “Staff costs” or “Travel and accommodation costs” is applied.

The analysis of historical data has shown that the riskiest Periods are “Period 4” and “Period 5”, instead the findings analysis has demonstrated that the riskiest Periods are “Period 4” and “Period 1”.

In order to adopt an approach that takes into account both results of these analyses, we have to consider to foreseen fully checks related to the first payment claim submitted by the Beneficiary, except for the payment claims related to preparation costs. This approach is mainly due to the following two reasons: this verification aims to assure the correctness of the methodology used by the Beneficiary to present the payment claim (and to verify the respect of Programme’s rules) and besides the “Period 1” has been identified as one of the riskiest Period by the findings analysis. The other Period during which is considered appropriate to extend the checks is represented by “Period 4” based on the results of both analyses of historical data and findings analyses.

The analysis of historical data has proven that the riskiest Partner Legal Status is represented by Private Partners, instead the findings analysis has demonstrated that the riskiest Partner Legal Status is represented by Public Partners. This contradiction between the two analyses does not allow to take into account in this risk analysis the category related to Partner Legal Status. Both analyses have shown that the riskiest Partner Role is represented by Project Partners. Anyway, in order to ensure the equal treatment of Beneficiaries, the Managing Authority decided not to make any distinction based on the legal status (Public or Private) of Project Partner. Please note that the principle of equal treatment should not be referred as directly referenced in CPR or INTERREG Regulations but as one of the general overarching principles of the Financial Regulation (2018/1046).

The analysis of historical data has proven that the FLCs Country ERDF which performed the least number of deductions is still represented by Italian FLCs (percentage of FLCs deductions on the total amount certified by FLCs: 0,29%). On the contrary, the findings analysis still pointed out that the highest number of findings was related to Italian Project Partners. This incongruity, together with the fact that the finding analysis does not include any typology of findings related to Montenegrin Partners, does not allow to take into account in this risk analysis the category related to the nationality of the Project Partners and of the FLCs.

Both analyses have highlighted that the Type of Control during which were performed the greatest number of deductions by FLCs or findings is represented by desk checks. The Managing Authority decided to limit the on-the-spot checks, due to the fact that the largest number of deductions/findings have been performed during the desk checks. According to the “Guidance on the risk-based management verifications for 2021-2027 and HIT methodology” (INTERACT), the on-the-spot verifications should be carried out when the project is well under implementation. The Managing Authority suggests performing the on-the-spots checks when the level of the Project Partner performance expenditure is approximately around 50%.

The risk assessment pointed out the low error rate environment for both First Level Controls (1,91%) and Second Level Audits (2,09%).

According to the reasons set out above, the Managing Authority suggests to FLCs verifying all the expenditure items (100%) only for payment claims related to “Project Report” “Period 1”.

Suggestion for payment claims related to Progress Report “Period 2”

- Verification of single expenditure items representing a minimum of the 20% of the amount claimed based on direct costs. The percentage of 20% is intended as number of items (for example: n. 2 out of n. 10 items included in the expenditure claimed).

Suggestion for payment claims related to Progress Report “Period 3”

- Verification of single expenditure items representing a minimum of the 20% of the amount claimed based on direct costs. The percentage of 20% is intended as number of items (for example: n. 2 out of n. 10 items included in the expenditure claimed).

Suggestion for payment claims related to Progress Report “Period 4”

- Verification of single expenditure items representing a minimum of the 50% of the amount claimed based on direct costs. The percentage of 50% is intended as number of items (for example: n. 5 out of n. 10 items included in the expenditure claimed).

Suggestion for payment claims related to Progress Report “Period 5”

- Verification of single expenditure items representing a minimum of the 20% of the amount claimed based on direct costs. The percentage of 20% is intended as number of items (for example: n. 2 out of n. 10 items included in the expenditure claimed).

Suggestion for payment claims related to Progress Report “Period 6” (or for the following Periods)

- Verification of single expenditure items representing a minimum of the 20% of the amount claimed based on direct costs. The percentage of 20% is intended as number of items (for example: n. 2 out of n. 10 items included in the expenditure claimed).

The Managing Authority also suggest to FLCs always verify the following items:

- Procurement of services/equipment above the threshold of 10.000,00 Euro (excluding VAT);
- Unusual or suspicious items (based on the controller’s professional judgement (decision-making, analyses, or evaluation based on knowledge, skills, training, or experience that the controller possesses).

Sample extension in case of deficiencies:

If the initial sample shows that the quality of the information provided is not sufficient, the Managing Authority suggests to FLCs extending to additional items. If no further deficiencies will be presented the verification can be stopped. If some further deficiencies be detected, 100% verifications shall take place. Furthermore, the FLCs will always be able to add additional items to the verification that are considered risky or suspicious, based on professional experience assessments. The FLCs may also extend the sample to any additional items if foreseen by the national methodology. The FLCs will however have to justify any extension of the sample, by a short description inserted in the FLC Certificate,

On-the-spot checks

The Managing Authority strongly recommends performing the “on-the-spot” checks once in a project lifetime, with the exception of projects that last twelve (12) months or less. Nevertheless, in case a national risk-based sampling methodology for on-the-spot checks exists, national controllers of such country may decide to use such given methodology.

According to the historical data analysis and the findings analysis (which both demonstrated that the riskiest Period is “Period 4”), the Managing Authority suggests to FLCs to perform the on-the-spot checks in any case when the level of the Project Partner performance expenditure is approximately around 50%. On this type of project, it is recommended to carry out an administrative verification before the “on-the-spot” check, in order to obtain a full picture/background for the “on-the-spot” verification.

Review of the methodology

The Managing Authority should periodically review at least once a year the risk elements and sampling methodology for management verifications. The Managing Authority will eventually amend the methodology for risk-based verifications, based on the findings from the system audits and the results of the audit of operations carried out by the Audit Authority. Any revision will be shared with the FLCs.