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IPA ADRION RISK BASED MANAGEMENT VERIFICATIONS METHODOLOGY

*12° IPA ADRION MC meeting
Ljubljana, 12-13 November 2024*

IPA ADRION Joint Secretariat





LEGAL BASIS

REG. EU 1060/2021, art. 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.”*



INTERREG SPECIFICITIES

Reg. EU 1059/2021, art. 46 (3) derogation to art. 74(1) a): management verifications can be carried out by controllers appointed by each Member State.

Reg. EU 1059/2021, art. 46 (5): the MA still has the responsibility to “satisfy itself that the expenditure of beneficiaries participating in an operation has been verified by an identified controller”



THE INTERACT GUIDANCE FOR RBMV AND HIT METHODOLOGY

TWO APPROACHES TO DEVELOPING THE METHODOLOGY

1. *the Managing Authority develops a single methodology for risk-based management verifications, which is applied to the whole programme;*
2. *the MA delegates the responsibility for developing the methodology to Member States, however:*



- ❖ *the MA is still responsible for ensuring equal treatment, therefore it will still need to approve at the programme level different approaches to management verifications, which can take into account national risk assessments but must still be based on Interact Guidance for RBMV.*
- ❖ *the MA can also develop **minimum requirements** for risk-based management verifications, to be used for the controllers in each Member State.*

PURPOSE: to ensure **equal treatment of the beneficiaries**, in consideration of the cooperation goal of the Interreg programmes



THE RISK ASSESSMENT IN IPA ADRION

IPA ADRION MA has developed a programme-level methodology based on a **risk assessment** that is conducted (by the same MA) ex-ante and in writing.

This assessment:

- is based on the **analysis of historical programme data**, aiming at identifying risk factors that have previously caused irregularities and errors.
- **will have to be periodically reviewed**, based on the recommendations and findings arising from the system audits and audits of operations.

ANALYSIS OF DATA related to the Programme “ADRION 2014/2020”, identifying as the cut-off date the 31 December 2023:

- ▶ from PBI ADRION, selecting from the section “FLC Controls Details, period 01/01/2016 - 31/12/2023
- ▶ from eMS, deductions performed by FLCs in the period 01/01/2016 - 31/12/2023 (Reason for correction)



THE METHODOLOGY/1

WHAT IT IS

A SET OF SUGGESTIONS AND RECOMMENDATIONS THAT ARE PROVIDED AT PROGRAMME LEVEL FOR CHECKS TO BE PERFORMED BY CONTROLLERS ON PAYMENT CLAIMS, DISTINGUISHED BY REPORTING PERIODS.



INCLUDED IN A SEPARATE DOCUMENT PROVIDED BY THE MA AND DISCUSSED WITH THE CONTROLLERS' NETWORK.



NO SUBJECT TO APPROVAL BY THE MONITORING COMMITTEE, ONLY TRANSMITTED FOR INFORMATION

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THE INTERACT GUIDANCE FOR RBMV AND HIT METHODOLOGY

IMPORTANT:

AFTER RECENT CONSULTATIONS WITH **INTERACT**, IT HAS BEEN CONFIRMED THAT RECOMMENDATIONS AND SUGGESTIONS - ADDRESSED TO THE NATIONAL AUTHORITIES FOR DEVELOPING THEIR METHODOLOGIES AND TO THE NATIONAL CONTROLLERS ON HOW TO CARRY OUT MANAGEMENT VERIFICATIONS - **ARE, AS WELL, A METHODOLOGY**



THE METHODOLOGY/ 2

WHAT CONTROLLERS CAN DO:

- decide to rely on the **suggestions provided** in such methodology
- or, alternatively, **use a national methodology** if present at country level.

NATIONAL METHODOLOGIES SHALL BE **SHARED WITH AND APPROVED BY THE MA**

WHAT THE MA DOES:

- **verify the correct application** of the chosen methodology, as described in the Questionnaire on the national control system (Annex 2 to Controllers' Manual) through the "Internal Quality Review" foreseen to ensure the reliability of the whole Management and control system



THE METHODOLOGY/ 4

SITUATIONS OF THE IPA ADRION PARTNER COUNTRIES

1. Controllers whose countries have no national methodology:

the MA recommendations establish a RBMV methodology including specific parameters to follow. These parameters are not imposed as minimum requirements; however, controllers need to duly justify in case they should deviate from recommendations. The MA will provide corrections whenever any inadequate practice with respect to MA's risk assessment should be observed.

2. Controllers whose countries have their own national methodologies:

the MA will **assess** those national methodologies, to confirm that they are appropriate and that their parameters are coherent with MA's risk assessment. Possible correction could be provided, since the final purpose is to ensure equal treatment among the beneficiaries.



THE METHODOLOGY/3



IPA ADRION MA has received a positive opinion from INTERACT, as to the RBMV document it has developed as long as:

- ▶ suggestions and recommendations in the document provide sufficient guidance to the controllers to ensure a proper risk assessment, considering that:
 - the analysis beyond the proposed guidelines is properly described with detail and source of data;
 - such recommendations had been agreed with the Controllers in the previous preparatory online meetings
- ▶ reference parameters are set up, allowing the controllers to identify the risky operations, payment claims and/or the key expenditure items to be verified, since they are based on a **careful analysis of historical data** that have considered both: the likelihood of an error/irregularity among the projects implementation and the incidence of them in each budget line

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OUTPUTS OF THE NATIONAL CONTROLLERS' MEETING

BOLOGNA 1-2- OCTOBER 2024

IN THE MEETING A PROPOSAL FROM SLOVENIA HAS BEEN PRESENTED TO THE CONTROLLERS, concerning possibility to make the RBMV methodology produced by the MA compulsory, thus adopting **minimum requirements** for the whole programme



THE MAJORITY OF THE NATIONAL CONTROLLERS EXPRESSED A DISAPPRECIATION WITH REGARD TO THE ABOVE PROPOSAL

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MA'S SET OF TECHNICAL SUGGESTIONS

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MA SUGGESTIONS FOR THE MINIMUM OF THE AMOUNT CLAIMED BASED ON DIRECT COST TO BE CHECKED BY FLCs/1

REPORT “PERIOD 0”

No minimum requirement for report “period 0” (preparation costs): in this case the FLC will have to check that these preparation costs are foreseen in the Application Form and that the amount claimed for preparation costs is correct.



MA SUGGESTIONS FOR THE MINIMUM OF THE AMOUNT CLAIMED BASED ON DIRECT COST TO BE CHECKED BY FLCs/2

REPORT “PERIOD 1”

- The MA suggests to FLCs verifying all the expenditure items (100%) only for payment claims related to “Project Report” “Period 1”.
- This is a specific suggestion, only related to “Period 1”, to verify that the beneficiary has understood the correct methodology for reporting real costs (entering the expenditure in the appropriate budget line and uploading the documentation proving the expenditure claimed on JEMS).



MA SUGGESTIONS FOR THE MINIMUM OF THE AMOUNT CLAIMED BASED ON DIRECT COST TO BE CHECKED BY FLCS/3

MINIMUM REQUIREMENT FOR REPORT “PERIOD 2”, “PERIOD 3”, “PERIOD 5” AND “PERIOD 6”

The MA suggests verifying the 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).



As previously specified in slide n. 7, controllers can either decide to rely on the suggestions, or, alternatively, use a national methodology if present at country level.



MA SUGGESTIONS FOR THE MINIMUM OF THE AMOUNT CLAIMED BASED ON DIRECT COST TO BE CHECKED BY FLCS/4

MINIMUM REQUIRED FOR REPORT “PERIOD 4” IDENTIFIED BY BOTH ANALYSES AS THE RISKIEST PERIOD



The MA suggests verifying the 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.



MA SUGGESTIONS FOR THE MINIMUM OF THE AMOUNT CLAIMED BASED ON DIRECT COST TO BE CHECKED BY FLCs/5

Additional suggestions

The MA 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)).



SAMPLING

Sample extension in case of deficiencies

- If the initial sample shows that the quality of the information provided is not sufficient, the MA 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 MA **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.