



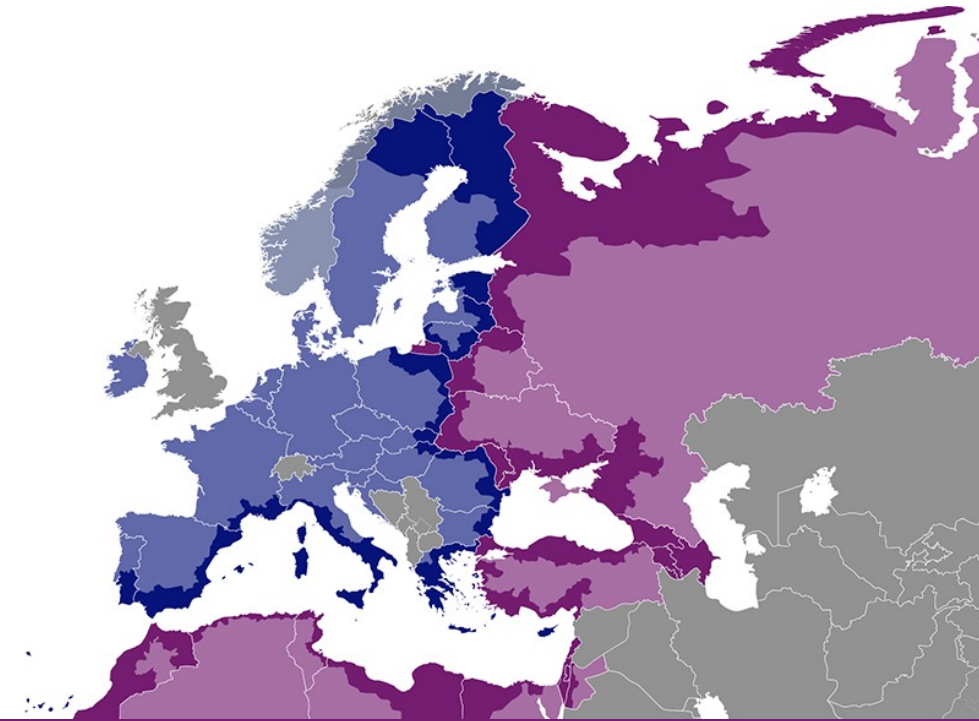
TESIM

Technical support to the implementation
and management of ENI CBC programmes

Management verifications in Interreg NEXT

Online event

Tuesday, 13 December 2022



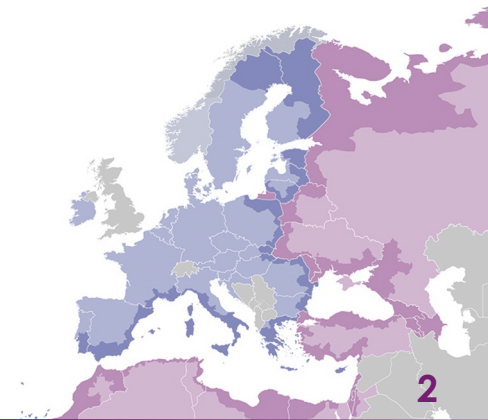
A project funded by the European Union



Implemented by a consortium led by



- videos are on, you are free to turn them off (please leave them on... 😊)
- micros will be kept muted during presentations
- Please speak-up or give us a sign via raise-hand option or chat, if you would like to intervene
- And most important, let's be active 😊



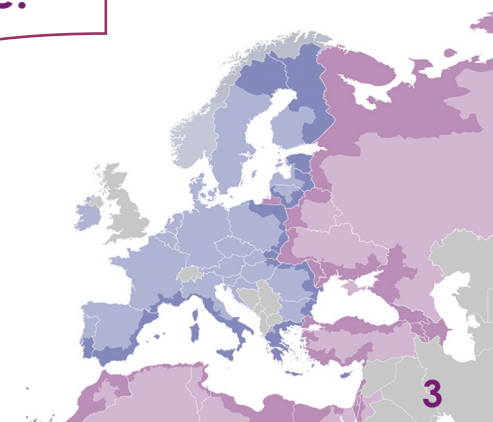
The agenda for today



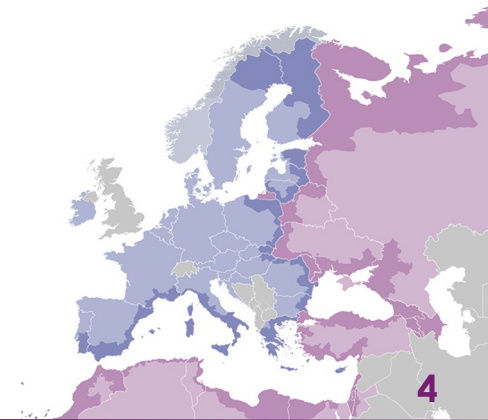
09:00 - 09:15	<i>Welcome and introduction</i>
09:15 – 09:45	<i>Key notions of the risk-based management verifications</i>
	<ul style="list-style-type: none">• Points of attention when developing the risk-based management verification methodology (<i>Presentation by TESIM + Questions and answers</i>)
09:45 – 10:30	<i>Developing the methodology, part 1</i>
	<ul style="list-style-type: none">• Developing the methodology: State of play in the Interreg NEXT programmes (<i>Presentation by TESIM</i>)• Management verification methodology (<i>Presentation by selected Interreg NEXT programmes + Questions and answers</i>)
10:30 – 10:45	<i>Coffee break</i>
10:45 – 11:45	<i>Developing the methodology, part 2</i>
	<ul style="list-style-type: none">• Identification and assessment of risks, key concerns, grey areas and solutions (<i>Introduction by TESIM and group work</i>)• Breakout room discussions on identifying the risks in the Interreg NEXT programmes• Reconciliation of the group discussions
11:45 – 12:00	<i>Closure of the meeting</i>

**+ Key messages from
Interact colleagues
and DG Regio!**

**Contributions from
Poland-Ukraine and
Hungary-Slovakia-
Romania-Ukraine!**



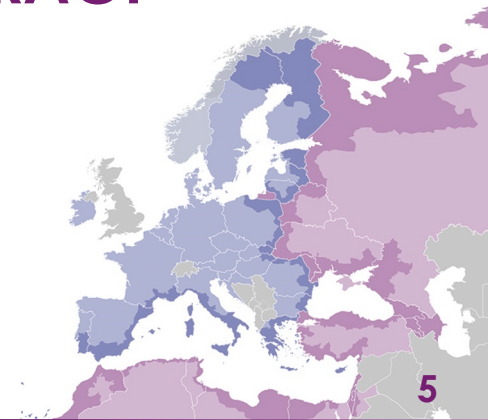
- **We focus on key** notions of the risk-based management verifications and we try to be little bit provocative 😊
- **We discuss with the colleagues** on how to approach the development of **methodologies**
- **We brainstorm in groups** about the **risk identification and assessment**



We base today's discussions on:



- **2021-2027** regulations (CPR/Interreg)
- **EC Reflection Note** (still draft) on risk-based management verifications
- Presentations by the **EC colleagues** on various fora's
- **HIT methodology** and work done by our **colleagues at INTERACT**
- Experience of **ENI CBC, as well as Interreg** programmes



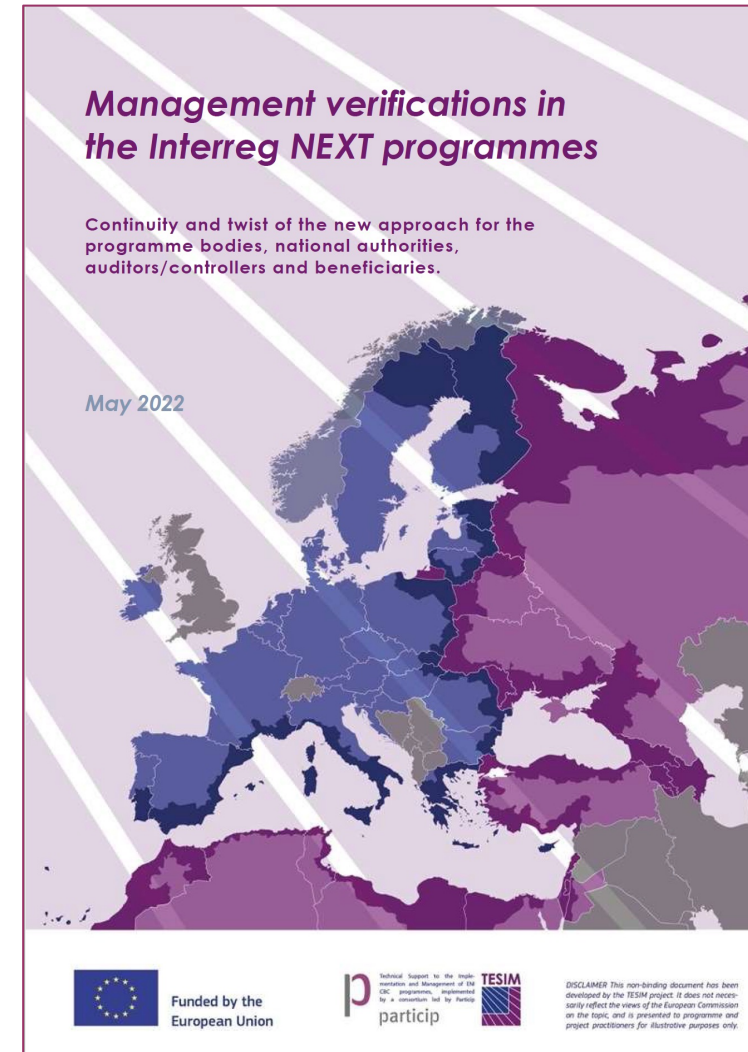
So let's start...



Continuity and twist of the new approach (1)

Document summarises **what continues** and **what changes**:

- for the programmes;
- participating countries / national authorities;
- Managing Authorities (MAs) /Joint Secretariats (JSs);
- the controllers/auditors/public officers;
- the project beneficiaries.

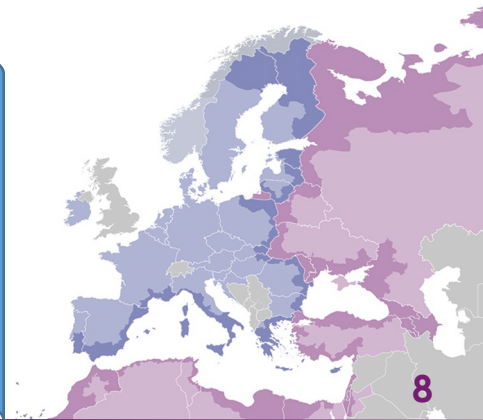


Risk assessment is rather well known exercise, though in different context... ENI CBC IR, Article 26.6(b)

On the spot verifications:

- The frequency and coverage of the on-the-spot verifications shall be proportionate to the amount of the grant to a project and the **level of risk identified by these verifications** and audits by the Audit Authority for the management and control systems as a whole

3 ENI CBC programmes allowed less than 100% of expenditure verification coverage - no significant financial risks identified so far!



Article 74 (2) Common Provisions Regulation (CPR) 2021 -2027

- **Management verifications shall be risk-based and proportionate to the risks identified ex-ante and in writing:**



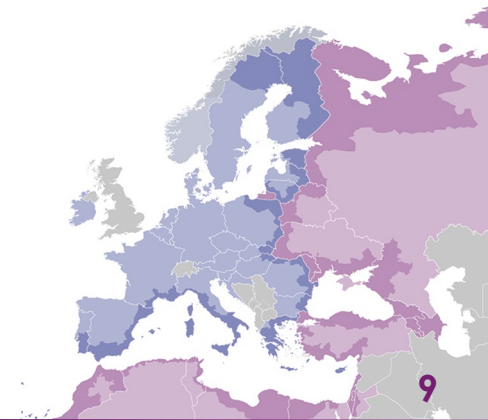
**Administrative
verifications**



**On-the-spot
verifications**

in almost all ENI CBC programmes
100% of expenditure was checked
during the expenditure verifications

All of the programmes checked
100% of payment claims

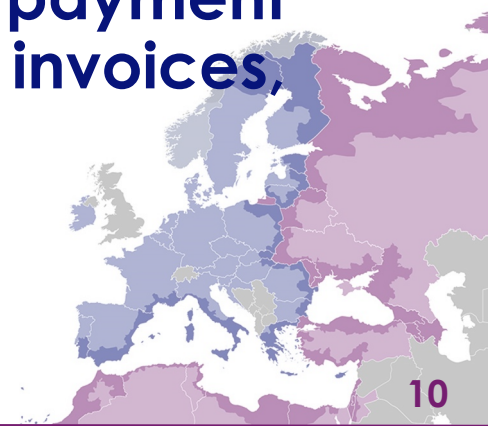


The rationale is to focus management verifications on the risky items/areas of payment claims and operations:

100% verification not required

(not all expenditure items and/or not all payment claims!)

Management verifications focus on a risk-based selection of payment claims from beneficiaries, of expenditure items (e.g. invoices, contracts, salaries) within a payment claim and projects.



100% verifications should not be the automatic starting point! What the ENI CBC experience tells us (AIRs on the instrument level)?

Amounts paid and cleared

By the end of the accounting year 2020 – 2021, the cumulative amounts are as follows:

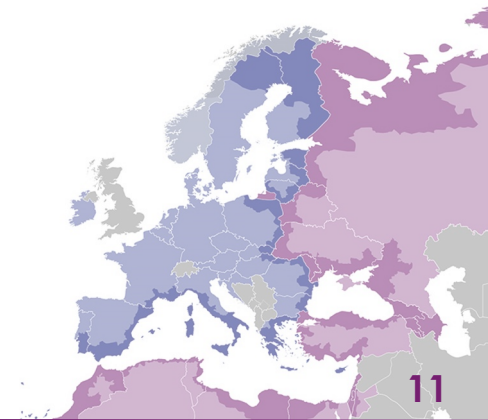
- 908m EUR contracted in grants;
- 403m EUR paid to the projects in form of advance, interim or final payments;
- 114m EUR expenditure reported as spent by the projects.

In accounting year 2020 – 2021, following amounts have been paid and cleared:

- 94,5m EUR of total eligible costs claimed for clearing from the EC.

Irregularities

- Approximately 110k EUR has been identified as irregularities by the programmes. The biggest amount (~85k EUR) by the Audit Authorities, however both participating countries, as well as the Managing Authorities/JTSs also have detected irregularities.
- The ineligible expenditures mostly related either to the infringement of procurement rules or breach of the eligibility rules.



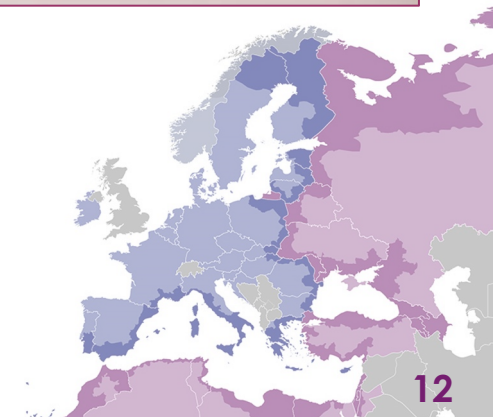
Where to start?

100% verifications should not be the automatic starting point!

What the ENI CBC experience tells us (on the programme level)?

- **Risk identification:**

- Expenditure verification reports (ENI CBC IR Art.32): ineligible costs identified/removed;
- Data from the project monitoring, incl. administrative and on-spot-check reports (ENI CBC IR Art.26);
- Annual summary of controls (ENI CBC IR Art.68);
- Annual audit report findings (ENI CBC IR Art.68);
- Information from national level;
- Information from the controllers.



What are the actual risks?

When actual data and evidence is processed, conclusions on actual risks can be made!

Risk assessment

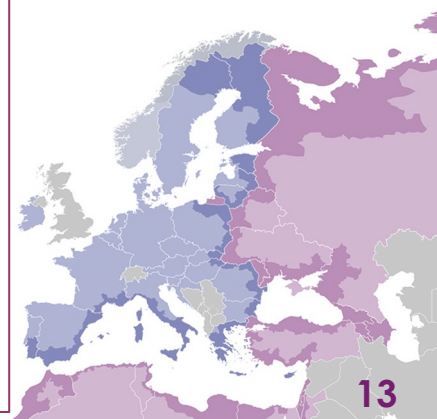
Interreg



Co-funded by
the European Union

North-West Europe

- Are private partners more risky than public ones?
- Are project partner riskier than lead partner?
- Is there a different risk level per specific objective?
- Is there a difference between different report numbers?
- Which are the riskiest cost categories?
- Which errors are the most common ones?
- Is there a difference between centralized and decentralized systems?
- Is the size of the partner budget a source of risk?



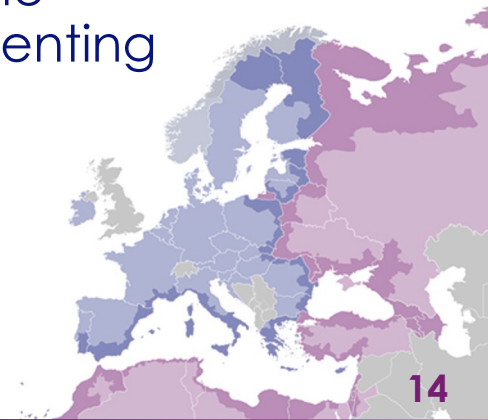
- **Project dimension:**

- Significant budget;
- Nature and complexity of the project (infrastructures, studies, equipment, etc.), type(s) of expenditure, legal requirements applicable;
- Projects with few tangible outputs for which, because of their nature, little or insufficient evidence is expected to be available after they have been completed.

- **Beneficiary dimension:**

- Type, legal status and ownership;
- level of risk of potential conflicts of the beneficiary is implementing;
- Number of projects implemented by the same beneficiary;
- Number of partners in the project;
- Beneficiary's capacity to implement the operation;
- past experience with the beneficiaries in implementing projects.

Country dimension as a horizontal aspect: are some risks higher in one/several participating countries?



Risk assessment

RISK PROFILE OF THE PROJECT		
Inherent risks - risks associated with the project or the beneficiaries*		
Inherent risks	Applicable to the project	Detailed information
Inexperienced beneficiary(ies)	Yes	[2 out of 4 beneficiaries with no prior experience in cooperation projects]
Problematic beneficiary (ies)	No	[might not be an issue in the start of the project; issues during contracting]
Changes in staff responsible for project implementation / reporting	No	
Private partner(s)	No	
Double funding risk	No	
Large partnership	No	
Large public procurement(s)	No	
Significant number of various outputs	No	
Others (depending on the programme)	No	

* Risk updated with administrative verifications, as the risk operates with administrative verifications, as the risks may change over time.

Control risks - associated with the quality of the internal control of the beneficiary and work of the public officer / private auditor

Cost categories	Level of risks in cost categories	Observations
General	Medium	
Staff Costs	High	Frequent mistakes indentified by the auditor.
Office and Administration	Low	
Travel and Accommodation		
External expertise and services		
Infrastructure		
Others (depending on the programme)		

Cost categories	Risks related to quality of auditors work	Observations
General	Medium	
Staff Costs	Low	
Office and Administration	Medium	
Travel and Accommodation	Low	
External expertise and services	Medium	
Infrastructure	Medium	Poor understanding of the auditor of the programme visibility rules, to be addressed in
Others (depending on the programme)	Medium	

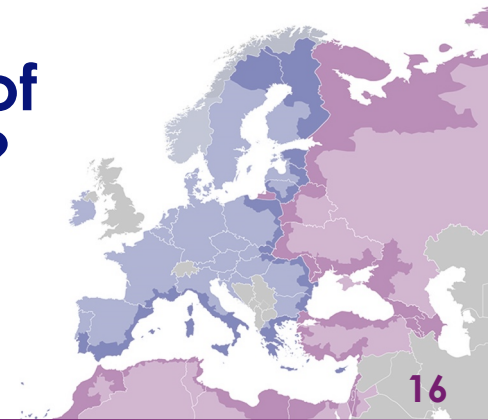
To be filled in by the MA/JTS, based on the verifications (either on spot / or administrative verifications). Filled in after the first auditors report is verified, updated after each subsequent control. It serves as a basis for deciding on the following on-the-spot missions.

	INHERENT RISK	CONTROL RISK
Overall risk profile	Low / Medium / High	[Low / Medium / High]

Results of risk assessment

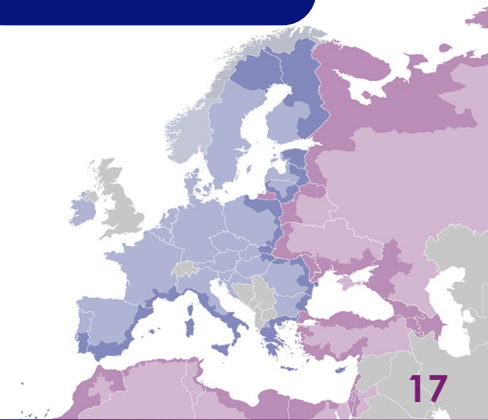


- What can we do: use of SCOs in general should decrease level of risk;
- Small-scale projects (almost) fully reimbursed by the SCOs?;
- Electronic systems to avoid technical mistakes/errors;
- Shall we specifically training and work with specific types of beneficiaries? Controllers? Specific work on national level?



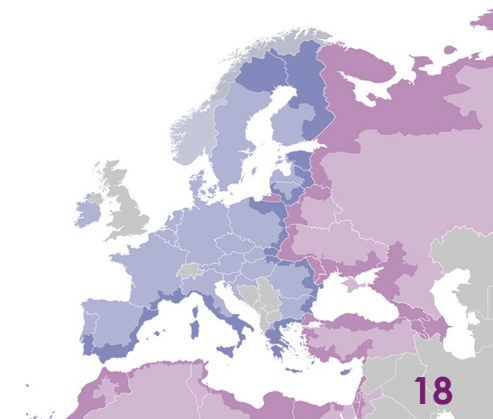
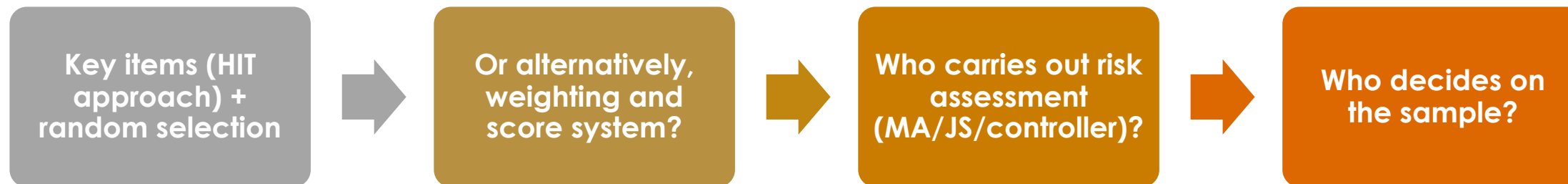
Once the risks are identified, what's next?

- There are many options for the decision ('what should be verified?'), once the general risk level is clear:



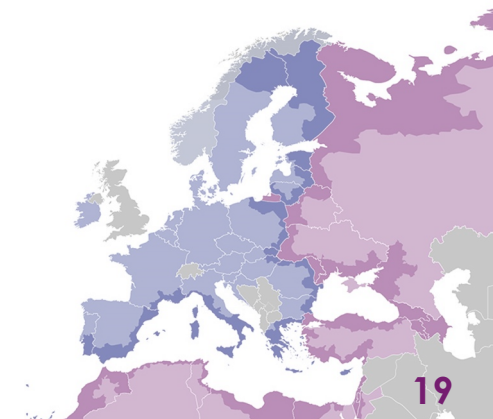
Once the risks are identified, what's next?

- There are many possibilities on how the sample is selected:



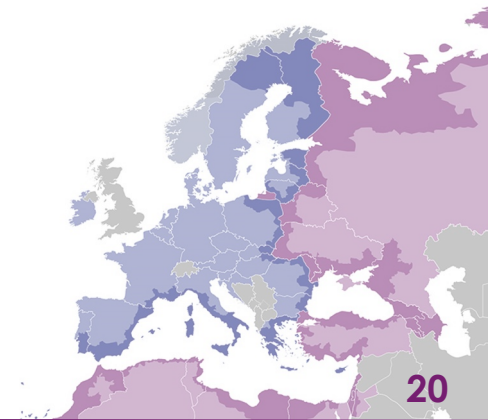
Launch of calls is approaching - important to have framework ready!
Other considerations for methodology:

- Describe the **method** for **both administrative** and on the **spot checks**!
- Controllers **will identify errors** – what's next? How to extend the sample?
- Are **the risks high enough** to justify 100% verifications (1st progress report, for example)?
- **Methodology itself** –how to **update** it?
- How changes of **project implementation** should affect the approach of control? Re-assessing risks for next, for example?



If we draw **parallels** with the **ENI CBC programmes**, a **continuation** is possible:

- **In the ENI CBC programmes** there was a single set of rules, procedures and templates for the **expenditure verifications**, developed by **the MA** and formally approved **in the JMCs**;
- this approach allowed to harmonise the process in all the countries and could be **explored again in the future**.



Let's hear it from the practitioners!

