

# Risk-based management verifications in 2021- 2027 SKHU Interreg VI-A programme

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**Interreg**



# WEST HUNGARIAN CONTROL DEPARTMENT



- ▶ 4 Interreg Programmes
  - ▶ SKHU
  - ▶ ATHU
  - ▶ SIHU
  - ▶ HUHR
- ▶ STAFF
  - ▶ 14
  - ▶ 50% 15+
- ▶ Good cooperation
  - ▶ JS
  - ▶ MA/NA

# I. LEGAL BACKGROUND

Management verifications 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.

Verifications shall be **carried out before submission of the accounts** in accordance with Article 98.



- Instead of a verification of 100% of the reported costs management verifications in the 2021-2027 programming period should be implemented on the basis of a risk-based sampling
- In the new period more cost categories will be involved and a wider range of SCOs will be introduced.
- Time required for the verifications will significantly be reduced for some cost categories.
- It still will be necessary to check items containing public procurement and procurement



- National Control has to **focus more on the high risk expenditures** and less on the low risk expenditures



## II. FACTORS DECREASING THE RISK OF ERRORS

How to reduce the risk of errors:

- **reducing the number of options** that a programme offers to reimburse certain costs categories (e.g. Staff Costs);
- **extensive use of SCOs;**



HUSK Interreg VI-A Programme plans to significantly emphasise the use of SCOs, namely in the following cost categories:

- lump sum for **Preparation Costs 1 300EUR/Partner**
- flat rate for **Staff Costs - 20% (10% - 1 000 000 EUR)**
- flat rate for **Office and Administration Costs - 15%**
- flat rate for **Travel and Accommodation Costs - 15%**
- unit cost for **Interpretation/Translation/Project events**



# III. METHODOLOGY FOR RISK-BASED VERIFICATIONS

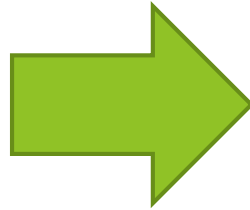
- **Risk of errors** in these cases (especially in Staff Costs) will already be minimised
- Implementation of **procurement and public procurement procedures** represent a high risk - detailed check is necessary
- Project partner level risk identification in Phase 1.





## Phase 1

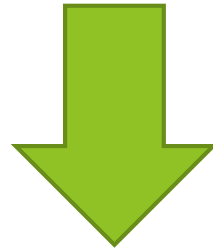
Wide range of SCOs,  
is to be considered a  
significant  
mitigation measure



Recommended to  
check **100% of all  
other (direct) costs**,  
reported as real costs



**Revision** of this method is proposed after the first year(s) of project implementation



The methodology may be **modified**

- In case the first two reports **do not contain deficiencies** which result in cost deductions, simplifications described in section ***Phase 2*** may be introduced
- **The decision** on the introduction of Phase 2 type checks will be made in case of each partner **by the Head of the control unit**

## Phase 2

Possible simplifications after the first year(s) of implementation

- In case if it is well justified a **sample-based verification** of items reported as real cost **might be introduced**

Risky elements (to be checked in full):

- all items concerned with **public procurement are to be fully checked**
- all **procurements above 10 000 euros (excl. VAT)** are to be checked

Random sampling:

- elements, that are not identified as risky ones (items below 10 000 euros) shall be verified based on a **random sample of a minimum of 10%, but at least 2 items per cost category.**
- **In case deficiencies** are detected, the verification can be extended to **100%** of the reported direct costs

## IV. Small Project Fund

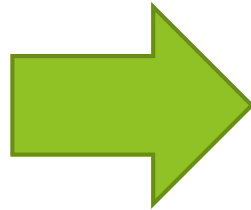
Organising crossborder events:

- **Cultural, Sport, Conferences etc.**
- Minimum 50% of the participants from partner country

PARTICIPANT	ERDF EUR	TOTAL EUR
25-50	13 215	16 518,75
51-75	15 855	19 818,75
76-100	18 500	23 125,00
101-125	21 145	26 431,25

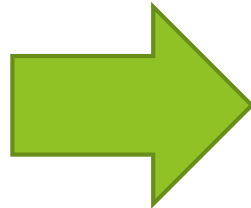
# IV. METHODOLOGY FOR SAMPLE-BASED CHECK OF FINAL RECIPIENTS WITHIN SPF

no real-cost based  
cost category is  
foreseen



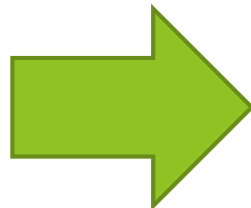
verification of project partner  
reports will be significantly  
simplified

if reports do not contain  
substantial mistakes and the  
supporting documents are  
fully available



every 5<sup>th</sup> following report  
will have to be checked by  
the Control

In case of errors or missing  
supporting documents



the control bodies will continue to  
check the subsequent five reports

# V. IMPLEMENTATION OF ON-THE-SPOT CHECKS

- In the 2014-2020 programming period soft type projects, small projects the on-the-spot verification **does not represent much added value** compared to the desk-based check
- The next programming period would be the introduction of **sample-based on-the-spot checks**, with the following 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. Necessity of further on-the-spot checks will be decided by controllers via filling the Risk assessment file for on-the-spot verifications.

- On-the-spot check is **sample-based** in case of “soft” project parts
- As a general rule, on-the-spot verifications **are performed at the premises** of the partner receiving financial support as well as in any other place **where the project part is being implemented**
- **In case Audit Authority performs on-the-spot check** of a project part, the next on-the-spot check of the respective project part (to be implemented by the Control Body) will be subject to professional judgement of the controller.

**Thank you for your  
attention!**