

***Risk-based management verifications
(RBMV) in Interreg
Greek approach***

*INTERACT Workshop
Rotterdam, Netherland, 21 - 22 November 2023*

Managing Authority "Interreg 2021-2027"

- CBC Programme Interreg VI-A "Greece-Italy Programme 2021-2027"
- CBC Programme Interreg VI-A "Greece – Bulgaria 2021 – 2027"
- CBC Programme Interreg VI-A "Greece – Cyprus 2021 – 2027"
- IPA CBC Programme "Greece – Albania 2021 – 2027"
- IPA CBC Programme "Greece – North Macedonia 2021 – 2027"

Risk based management verifications methodology - - Challenges faced

- “Common” RBMV methodology for all Member States and all Programmes
- “Common” risk analysis for administrative and on – the – spot verifications”
- How to choose RBMV risk factors and minimum coverage

Risk based management verifications methodology - - Challenges faced

- Public Procurements: different Member State have different national thresholds
- Centralized and Decentralized FLC systems: FLCs (physical persons) don't have the knowledge needed for the inherent risk assessment (e.g. beneficiary's experience, capacity, implemented projects, etc.)

Risk based management verifications methodology - - Lessons learned

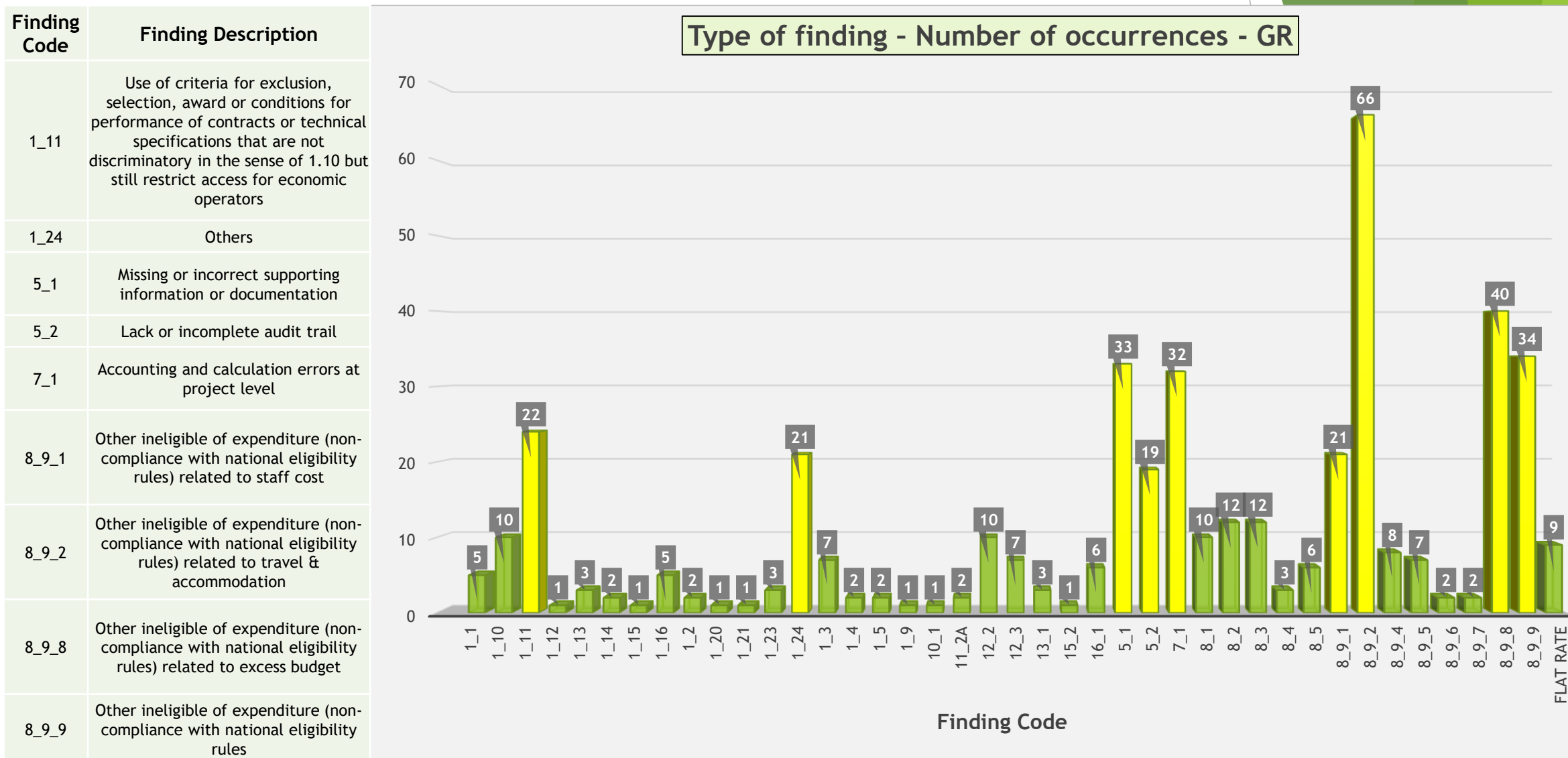
- ❑ FLCs' experience
- ❑ MA & JS officers' experience
- ❑ RBMV methodology in Greek mainstream Programmes
- ❑ Statistical data from MIS (period 2014-2020)
- ❑ Results from other Control Bodies

Risk based management verifications methodology - - Lessons learned

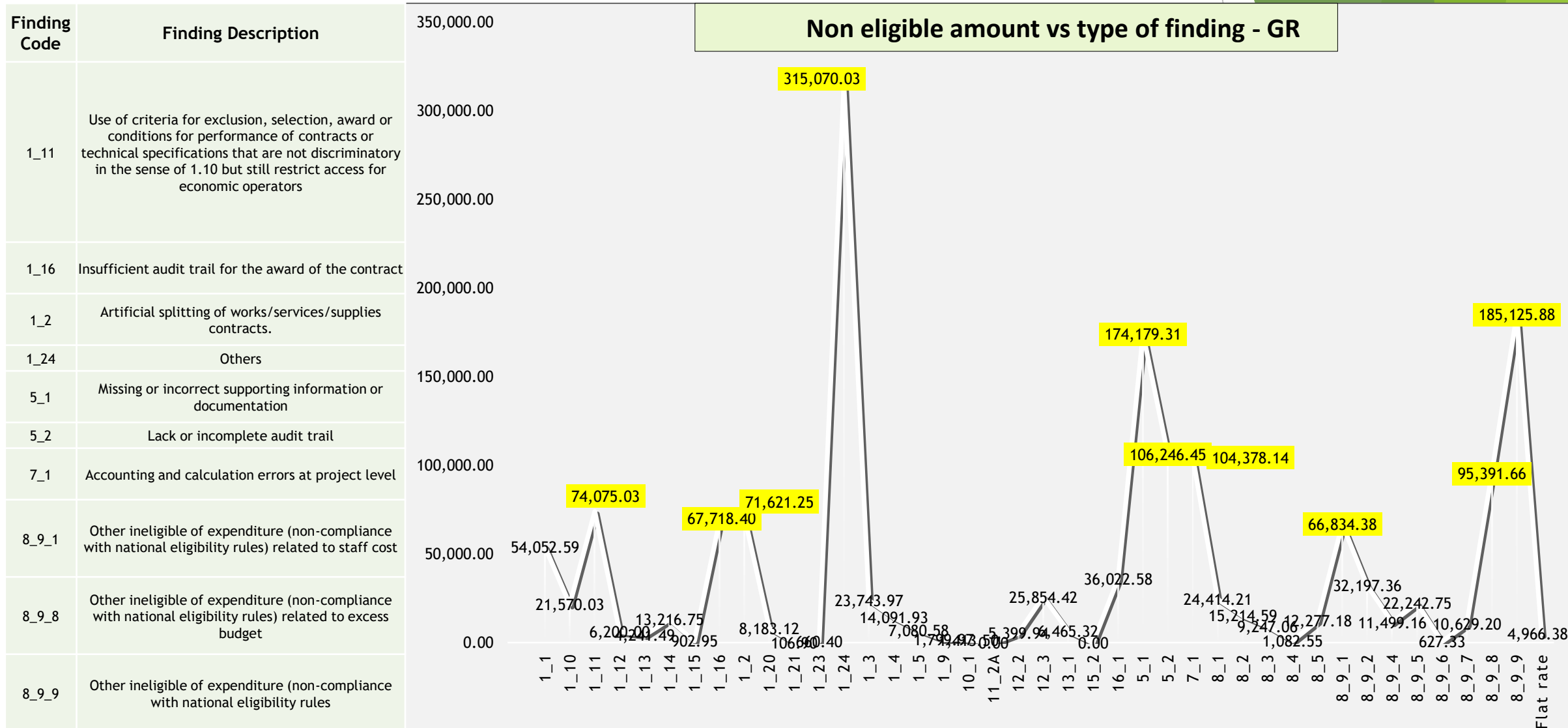
Critical Key factors

1. Type of beneficiary
2. Public procurement procedures
3. Cost category
4. SCOs

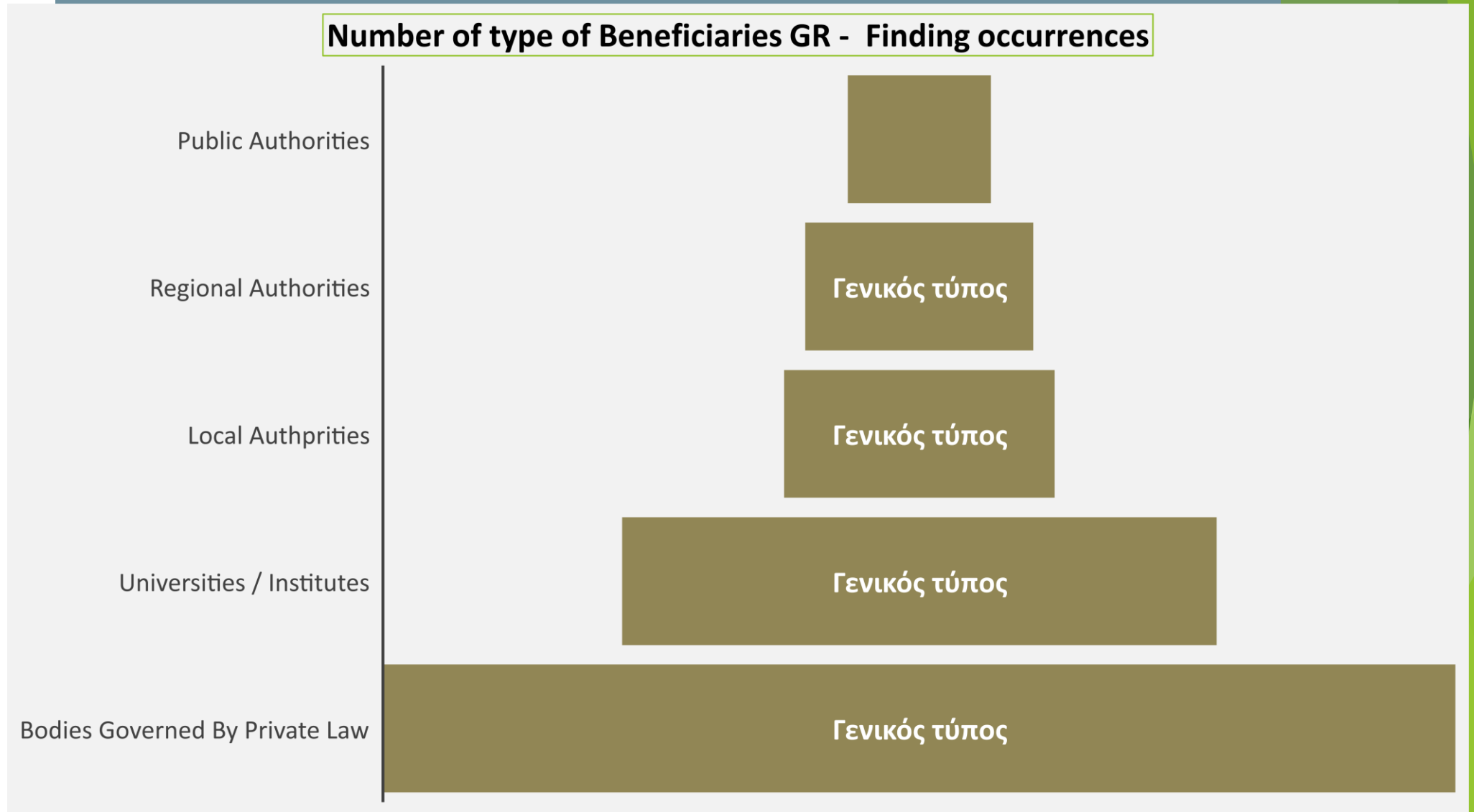
Population of *administrative* verifications – finding level



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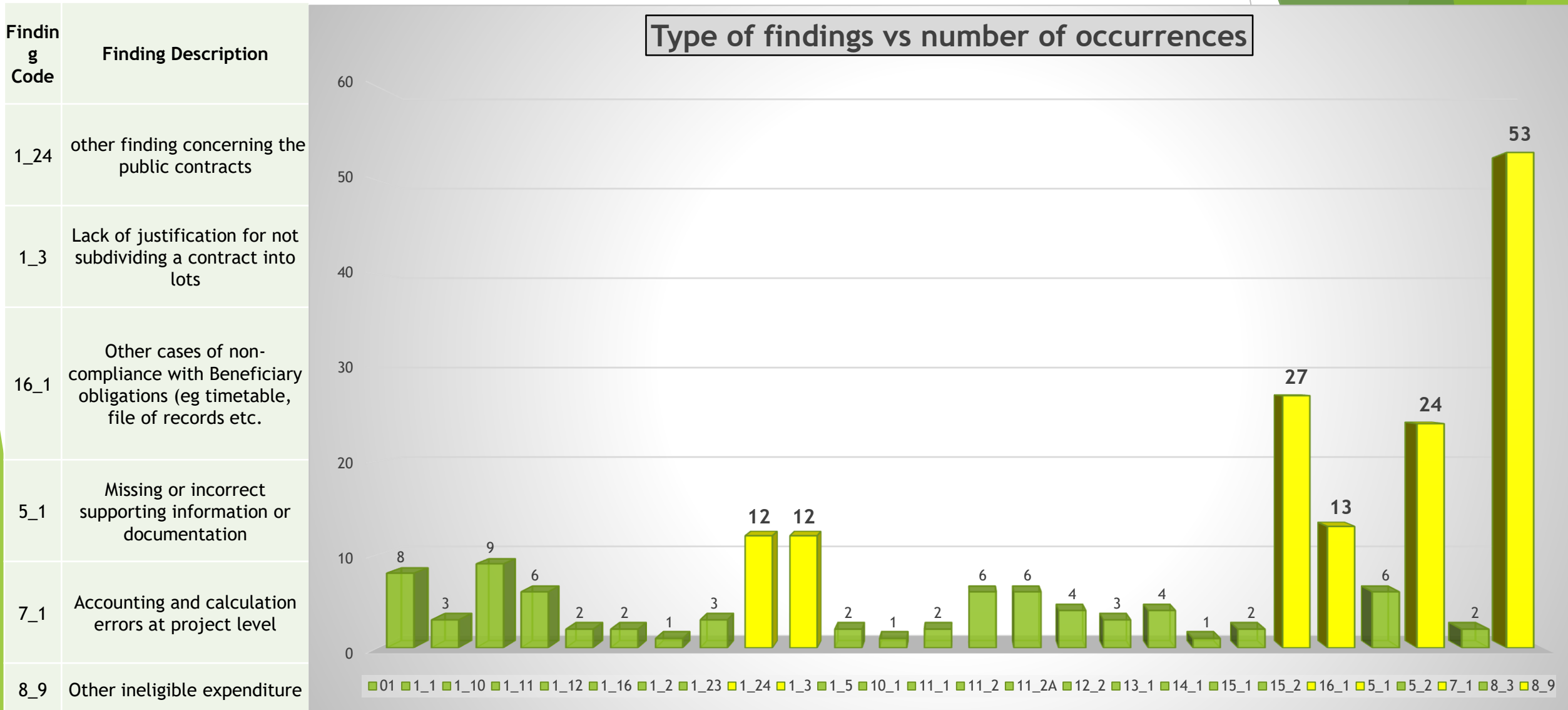


Administrative Findings: GR - all countries

Finding Code	Finding Description - GR	Finding code	Finding description - all countries
1_11	Use of criteria for exclusion, selection, award or conditions for performance of contracts or technical specifications that are not discriminatory in the sense of 1.10 but still restrict access for economic operators	1_11	Use of criteria for exclusion, selection, award or conditions for performance of contracts or technical specifications that are not discriminatory in the sense of 1.10 but still restrict access for economic operators
1_24	Others	1_24	Others
5_1	Missing or incorrect supporting information or documentation	5_1	Missing or incorrect supporting information or documentation
5_2	Lack or incomplete audit trail	7_1	Accounting and calculation errors at project level
7_1	Accounting and calculation errors at GR project level	8_9_1	Other ineligible of expenditure (non-compliance with national eligibility rules) related to staff cost
8_9_1	Other ineligible of expenditure (non-compliance with national eligibility rules) related to staff cost	8_9_2	Other ineligible of expenditure (non-compliance with national eligibility rules) related to travel & accommodation
8_9_2	Other ineligible of expenditure (non-compliance with national eligibility rules) related to travel & accommodation	8_9_8	Other ineligible of expenditure (non-compliance with national eligibility rules) related to excess budget
8_9_8	Other ineligible of expenditure (non-compliance with national eligibility rules) related to excess budget	8_9_9	Other ineligible of expenditure (non-compliance with national eligibility rules)
8_9_9	Other ineligible of expenditure (non-compliance with national eligibility rules)		

Population of *on-the-spot* verifications – finding level

Type of findings vs number of occurrences



Risk based management verifications methodology - . - Approach and general principles

- The planning of management verifications is based on risk assessment carried out at the level of the operation/partner, taking into consideration specific risk factors and is implemented entirely electronically through MIS
- These risk factors are related to information about the beneficiary (e.g. experience, type, financial corrections in “2014-2020” period) and the project (type/nature, complexity, amendments, financial corrections, etc.).
- The methodology will be “common” for all MS and all participating countries.
- The MA will consider some risk factors at the stage of selection of operations (recorded in project Application Form).

Risk based management verifications methodology - - Approach and general principles

- Risk factors receive values and scores, automatically, through data entry into the Management Information System (MIS) (first picture of its "dangerousness"). This grade varies during project implementation, as the data feeding the values of the individual risk factors are changed and is automatically updated when the methodology is applied.
- The performance of administrative verifications of expenditure is based on the monthly risk assessment as produced by the MIS on the basis of the risk factors and the minimum criteria.

Risk based management verifications methodology - - Approach and general principles

- In administrative verifications, sampling rules and criteria are defined at two levels: a) Payment claim level and b) expenditure level.
- In “on-the-spot” verifications, sampling will be applied to a given population of partners/expenditures which is selected to be verified on-the-spot.
- The methodology allows the use of the FLC “professional judgment” to increase the sample (categories, correlations, etc.).
- The methodology will be subject to annually revision.

Risk based management verification methodology.

Risk factors

- The risk factors concern both the beneficiary and the project. The assignment of a grade to each individual factor is done automatically and takes into consideration:
 - ✓ primary data, which are inserted in specific fields of the MIS screens (e.g. A.F.),
 - ✓ data resulting from the processing of primary data, such as the percentage of financial corrections imposed on the beneficiary. Processing and calculations are done automatically through the MIS.

Risk factors - indicatively

Risk factor	Type	Grade
Type of Beneficiary	Ministries	1
	Regions	2
	Local Authorities/Municipalities	3
	Universities/Institutions	4
	Private Entities/NGOs	5
Number of projects (2021-2027 period)	1 - 3	1
	4 - 7	3
	>7	5

Risk factors - indicatively

Risk factor	Type	Grade
Percentage of financial corrections	financial correction <2%	1
	financial correction 2-5%	3
	financial correction > 5%	5
Partnership scheme	1-3 partners	1
	4-7 partners	3
	>7 partners	5

Risk factors - indicatively

Risk factor	Type	Grade
Complexity of operation	1 - 12 different deliverables	1
	13 - 18 different deliverables	3
	more than 18 different deliverables	5
Nature /Physical object of the project	Infrastructure/ Supplies through public procurement (ie. GR Law 4412)	1
	External expertise through public procurement (ie. GR Law 4412)	3
	Other	5

Risk factors - indicatively

Risk factor	Type	Grade
Budget in euros	less than 200,000€	1
	200,000€ - 500,000€	3
	more than 500,000€	5
Project duration (programming period 2021-27)	less than 24 months	1
	25-36 months	3
	more than 36 months	5

Administrative Verifications – Selection of payment claims

- Not all payment claims from beneficiaries will be subject to management verifications.
- The basic rule for all operations (irrespective of the risk layer) is that, in all cases, the 1st payment claim submitted by the beneficiary will be verified.
- Then, for each **risk layer** to which the operation/partner has been automatically assigned on the basis of the risk assessment, the minimum number of claims to be verified are determined (according to the following table).

Administrative Verifications – Selection of payment claims

Risk layer	Claims to be verified
High risk	all claims
Medium risk	the first claim and two intermediate claims (30% and 70% of total expenditures)
Low risk	the first claim and one intermediate claim (70% of total expenditures)

Administrative Verifications – Selection of payment claims

- The first claim and every claim that needs to be verified according to the above risk assessment and the risk factors will be automatically highlighted in the MIS [**"to be verified"**].
- FLC could also verify and other claims due to the identification of significant and/or unusual problems.

Administrative Verifications – Selection of items to be verified inside selected payment claims

- Within a payment claim, not all items will be verified
- Minimum coverage:
 - ✓ 20% of total value **and** 30% of number of items per cost category
 - ✓ large number of items (indicatively >150 correlations): the sample must cover at least 15% of total value and 15% of items per cost category

Administrative Verifications – Selection of items to be verified inside selected payment claims

- In order to select the sample items per cost category, we follow the next steps :
 - ✓ items of a significant amount (indicative with an amount $\geq 10\%$ of the total amount of the specific cost category)
 - ✓ other items which, according to “controller’s professional judgement” are unusual or contain indications of fraud
 - ✓ Randomly sampled items per cost category, so that, including the above-mentioned expenses, we’ll fulfill the minimum coverage.

- in the first claim, the FLC can increase the minimum coverage percentages, if it is deemed necessary to have a better knowledge regarding the risk that may be raised with the specific beneficiary/project and in particular in high budget infrastructure and supply projects.

Administrative Verifications – Sample extension

- If the FLC detects irregular expenditure, expands the items sample to other correlations, depending on the nature and extent of the irregularities, to establish whether the same type of findings appear in the unaudited population of expenses (relevant scroll box in the MIS and relevant justification by the controller).
- In case of the same type of findings in the supplementary sample, the FLC may further expand the sample of expenses and/or decide to carry out an “on-the-spot” verification
- If findings could affect the expenditure of previous claims, the FLC carries out an “on-the-spot” verification.

Administrative Verifications – Sample extension

- **“Staff” cost category extension** if an error is found:
 - ✓ two more items related to the same project team member, if available,
 - ✓ one more item related to the same month, but of another project team member, if available,
 - ✓ two more items from the same “staff” cost calculation method, but of another project team member, if available,
- **Other cost categories extension** if an error is found:
 - ✓ at least one more item with common features, if available,

Risk based management verification methodology. On-the-spot verifications

The steps of the “on-the-spot” sampling methodology, will include:

- **Population definition** (each semester) – automatically through MIS
 - ✓ For the first period, the number of all the operations whose expenditure was administratively verified during the first semester of the accounting year (01/07/ v-1 to 31/12/v-1) is defined
 - ✓ For the second period, the number of all operations whose expenditure was administratively verified in the second semester of the accounting year (01/01/v to 30/06/v), deducting the Operations whose expenditure was verified on-the-spot during the first audit period of the same accounting year.
 - ✓ From this population, operations that were verified “on-the-spot” during previous semesters, may be excluded.

Risk based management verification methodology. On-the-spot verifications

- **Determination of sample size:** 15% of operations **and** 20% of total expenses
- **Selection of beneficiaries that must be verified:** based on predetermined criteria (high % of implementation, identified management problems or irregularities, etc.) - they can't exceed 50% of the minimum number of the above sample
- **Identification of the remaining population** - Exclude the above beneficiaries
- **Risk assessment** (same as administrative) with the 3 risk layers (as next slide)

Administrative Verifications – Selection of payment claims

Risk layer	Claims to be verified
High risk	50% of the sample as follows: 25% - partner with the highest scores 25% - random sampling
Medium risk	30% of the sample by random sampling
Low risk	20% of the sample by random sampling

- If the requirements (15% of operations and 20% of total expenses) are not met, **additional projects are selected** (i.e. added to the sample) from the remaining population (random sampling)
- **Preparation of the “on-the-spot” verifications program in the MIS**

Thank you for your attention

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