



# Risk based management verifications

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# Why RBMV?

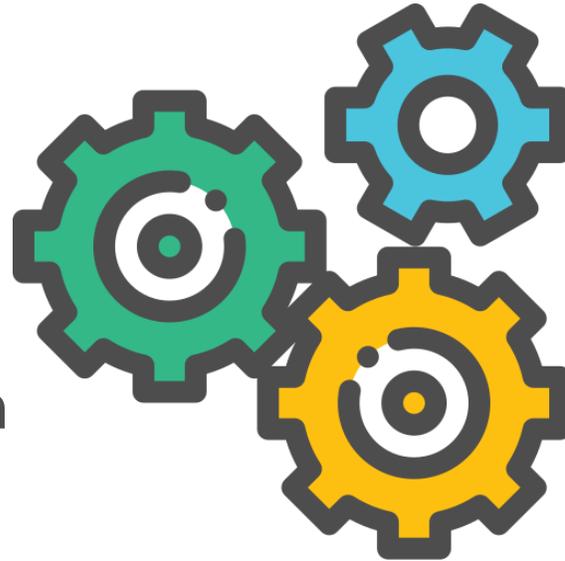


significantly reduces the administrative burden for beneficiaries (as the number of controls will be reduced) as well as for MAs and their IBs



improves management and control systems by allowing to focus management verifications on problematic areas instead of spending time and resources on verifications of every single euro declared

# Legal framework



## Art. 74(2)

risks identified ex ante and in writing

## Art. 74(2)

carried out before submission of the accounts.

## Recital 62

appropriate balance between the effective and efficient implementation of the Funds and the related administrative costs and burdens

# What's new?

New elements of management verifications (ADMIN & ON-THE-SPOT) in CPR 2021 – 20

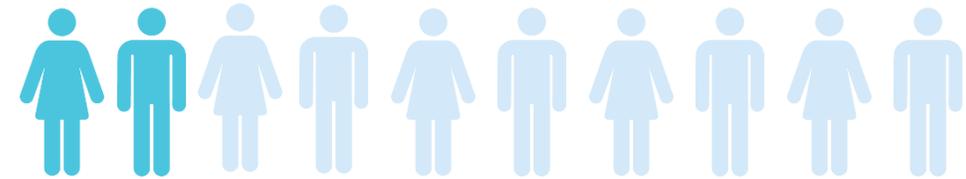


- **Risk-based and proportionate** to identified risks
- The **MA** is **fully responsible** for preparing the risk assessment ex-ante and **in writing**
- **Communication and consultation with AA** strongly recommended
  - **Methodology** to identify operations, payment claims and expenditure items to be verified
  - **Frequency, scope and coverage** of management verifications based on **risk** assessment
  - **Risk factors / criteria**
  - **Coverage.** MA may set a certain (minimum) coverage for expenditure or operations to be checked or adopt risk scores/thresholds for verification

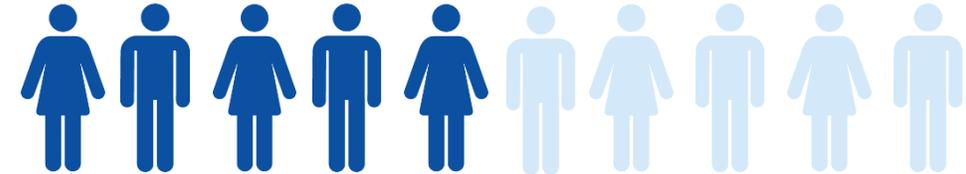
# How much is enough?

While a 100% verification of the expenditure remains theoretically possible, this can only be carried out in cases when the level of risk to the budget of the Union was so severe that it would impose such an approach.

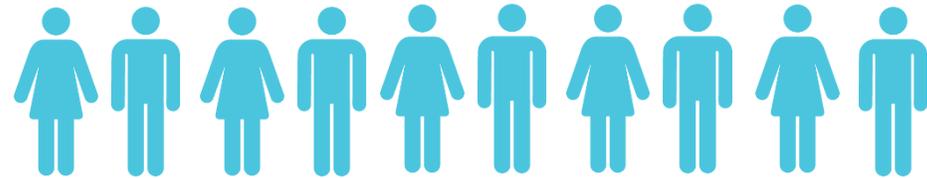
2 out of 10?



5 out of 10?



10 out of 10?



# An example. Less is more.

A MA staff has on her to do list to verify in a week 10 direct awards and one public procurement of 1 million euro. As she has less time to spend for the main procurement, she fails to notice that the beneficiary used technical specifications that were discriminatory (local preference). However, she has verified each of the 10 smaller contracts, therefore no additional irregularities were identified by auditors.

*Consequence => irregularity discovered by the auditors of 250.000 euro.*

Without

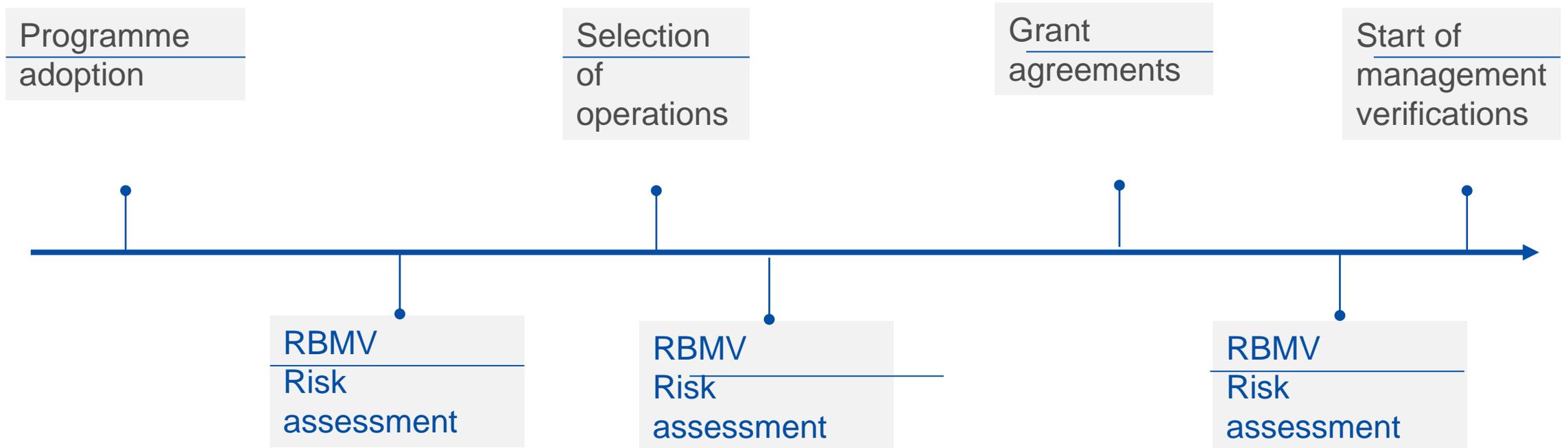
A MA staff applies the assessment of the risks and he sees that from 10 direct awards and one public procurement of 1 million euro he only has to verify the 1 million euro procurement and a direct award. As he has more time to verify the procurement of 1 million euro, he identifies the discriminatory technical specifications.

As 9 procurements were not verified, the auditors discover that for one of them (25.000 euro) there are no available support documents

*Consequence => irregularity discovered by the auditors of 25.000 euro.*

With

# Timing



# Examples of risk factors -> beneficiaries



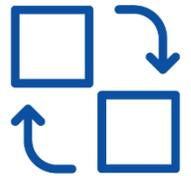
**No. of operations**



**Type of beneficiary**



**Experience**



**Change of beneficiary**

# Examples of risk factors -> operation



**Significant budget**



**Complexity**



**Multiple sub-projects**



**New approaches**



**Phased operations**

# MV plan (administrative and on-the spot)



# When to perform MV?

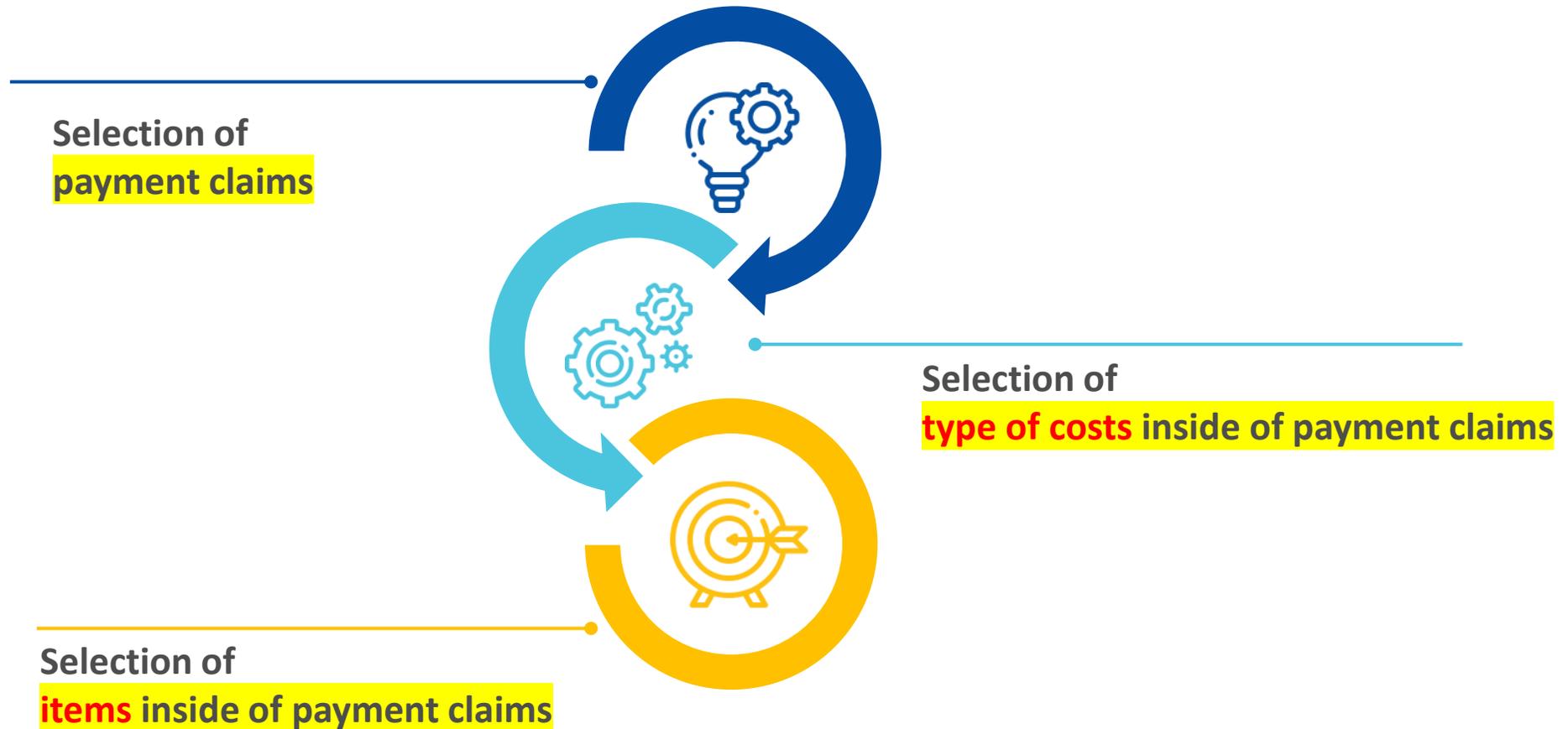
**Claim**  
submitted

**EC**  
Declared in  
applications for  
payment

**80**  
days for payment

**Deadline**  
Accounts

# Administrative verifications



# On-the-spot verifications



# Audit trail

Electronic

For all, not only the ones selected for verifications

5-years from 31 December of the year in which the last payment by the MA to the beneficiary was made

Reduce administrative burden

Data transferred only once

Save time and resources

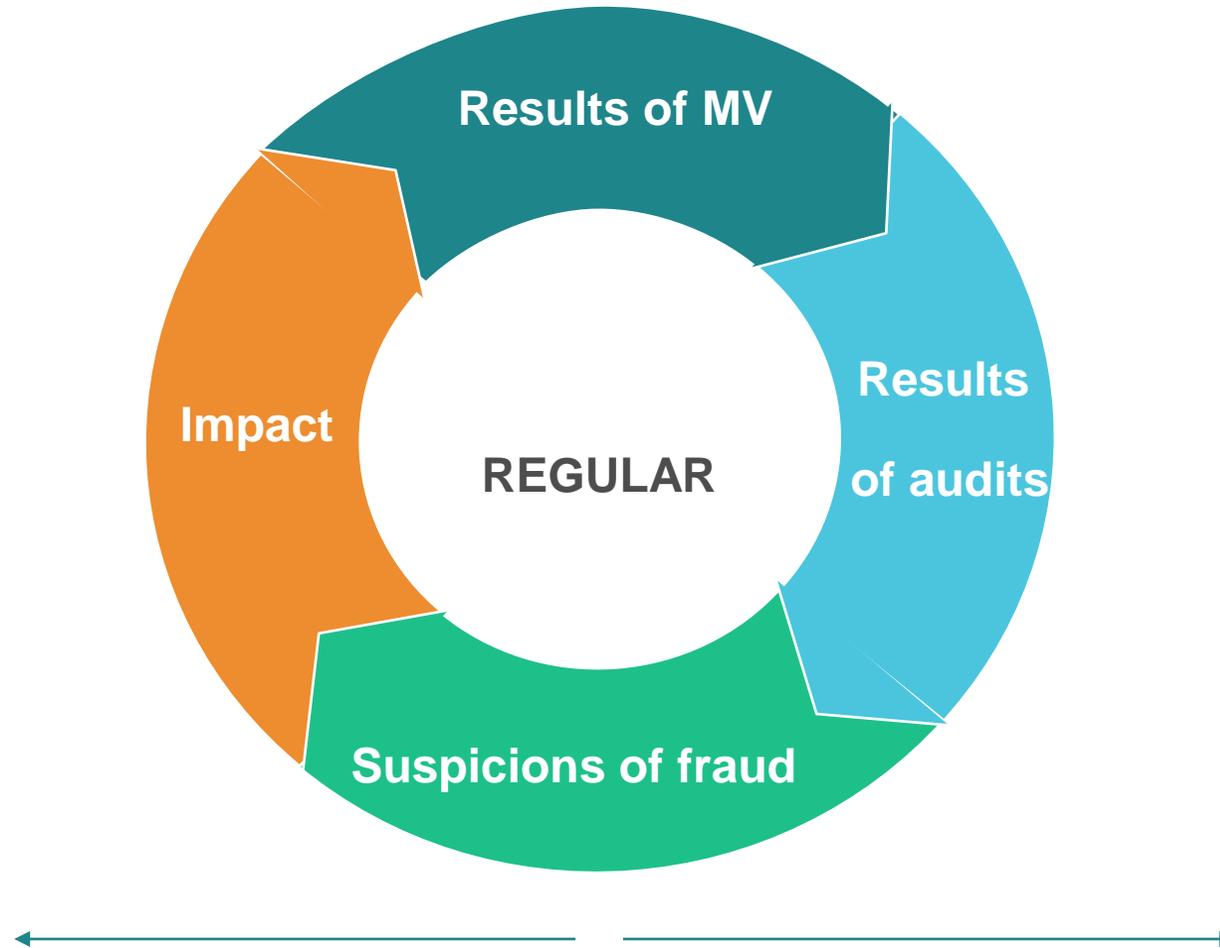
Avoids errors

Embedded controls

# Management verifications vs. audits

- Communication is always 
- Risk assessment – subject to system audits & influenced of results of audits of operations
- The errors/irregularities identified during management verifications are not extrapolated
- Irregularities identified during audits are extrapolated
- Single audit arrangements
- It is possible that an operation/payment claim/expenditure is not verified by MA but it is audited by AA

# Review



# Thank you for your attention



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