

Risk-Based Management Verification Methodology

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Administrative Verifications

- ▶ Key-items verification
- ▶ Professional judgement
- ▶ Extention of sample

Key-Items Verification

Fully verified:

- ▶ **Public procurement** for contracting amounts above EUR 10.000 excluding the VAT
- ▶ **Staff costs**
 - ✓ staff costs of the partner report where they first occur,
 - ✓ staff costs of a new staff member included for the first time in the partner report,
 - ✓ if there are changes in the staff costs calculation
- ▶ **VAT** for projects with total costs of at least 5m EUR, including VAT

Professional Judgement

- ▶ **At least one item** per report from the remaining population and **at least 10% of value** of the remaining reported real costs
- ▶ Brief **justification** of the selected item(s)
- ▶ **Selection of item(s)** based on the quality of the expenditure reported and the quality of key-items verification:
 - ✓ items similar to those where errors or ineligible expenditures were identified in the current/previous reports,
 - ✓ where repeated mistakes/errors were noted in the previous reports,
 - ✓ costs with the same provider of goods/services/works as reported in key items and costs of similar nature (potential artificial splitting of contracts)
 - ✓ significant “ad hoc” raises in the salaries of project staff
 - ✓ items reported under wrong cost category (potential double financing)

Extension of Sample

- ▶ **The quality of the information** provided in the initial sample is not sufficient
- ▶ **Errors with common features** → verifying all relevant items (i.e., those likely to be affected by the same/similar error)
- ▶ **Staff cost category extension** if an error is found:
 - ✓ one more item 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,
 - ✓ one more item from the same staff cost calculation method (of another project team member) if available,
 - ✓ if no common features to the error are determined, the sample can be extended to a 100% verification
- ▶ **Other cost categories extension** if an error is found:
 - ✓ at least one more item with common features if available
 - ✓ if after sample extension no common features are determined, the sample can be extended to a 100% verification (within cost category) if errors persist in the extended sample

Testing the Methodology

► Interreg IPA CBC programme 2014 - 2020 report

Budget Line	Paym Date	Description1	Declared Amount Euro
Staff costs	N/ A F R		215,32
Staff costs	N/ A F R		39,81
Office and administration	N/ A F R		32,29
Office and administration	N/ A F R		5,97
Travel and accomodation	08.12.2022	Accomodation, Hotel	156,38
Travel and accomodation	20.12.2022	Bus ticket Split-Zagreb	21,02
Travel and accomodation	13.12.2022	Bus ticket Zagreb-Split	21,64
External expertise and services	27.01.2023	Promotion article in daily newspaper publishing	538,32
External expertise and services	27.01.2023	Promotion article in daily newspaper publishing	538,32

Controller's comment:
 „The methodology model is clear and understandable.”
 „Criteria are clear.”

Key items

- No **procurement procedure** above 10.000,00 EUR (excl. VAT) – not checked
- **Staff costs** reported as flat rate – not checked
- Project budget is below 5m **VAT** incl. – VAT not checked

Professional judgement

- No Travel and accommodation costs were sampled
- Both External expertise and services costs were sampled and checked, accounting records were missing

Sample extension

- **No sample extension** was applied

Testing the Methodology

► Interreg Hungary -Croatia CBC programme 2014- 2020 report

Key items

- **Procurement procedure** above 10.000,00 EUR (excl. VAT) – 1 External expertise and services cost sampled, procurement checked, findings described
- **Staff costs** not checked - not reported for the first time, no changes in the calculation method
- Project budget is below 5m VAT incl. – VAT not checked

Professional judgement

- **Brief justification** of the selected items: **many Travel and accommodation costs** reported, 3 different travel costs sampled (local, international, project meeting) and checked, findings described
- **Extension of sample** regarding travel outside of the programme area to include the accommodation cost

Sample extension

- Sample extension was applied
 - **Justification of the sample extension:** included the other invoice related to the checked procurement procedure due to the high value and relation to the procurement procedure
 - **Findings:** amendments required, but not specified
- **No other costs sampled** due to no perceived errors in the sampled items, nor in the previous reporting periods regarding staff cost category

Future Development Points

- ▶ Further testing to be conducted on other Interreg programmes
- ▶ Harmonisation of controllers' check procedures via control checklists
- ▶ Training for controllers on the use of the methodology