

Management verifications 2021 - 2027

Fact sheet on management verifications December 2021

List of abbreviations

Abbreviation	Meaning
MV	Management verifications
ADMV	Administrative verifications
OTSV	On-the-spot verifications
ONLV	Online verifications
CTRL	Control
CPR	Common Provisions Regulation
ETC	European Territorial Cooperation
ERDF	European Regional Development Funds
COM	European Commission
MA	Managing Authority
MC	Monitoring Committee
NA	National Authority
JS	Joint Secretariat
AA	Audit Authority

This update concerns the requirements of the new CPR, ETC (Interreg) regulations concerning management verification, changes in the new regulations, novelties in management verifications and control work.

Changes in the new regulations



- No designation
- Management verifications at MA level (Art 74, CPR)
- Management verifications are to be done through the identification of a body; the person responsible for this verification on its territory (controller)
- Management verifications (Art 74, CPR) – risk-based and proportionate to risks identified ex-ante and in writing
- Management verifications (Art 74, CPR) – include administrative and on-the-spot verifications
- Exchange rate – using the monthly accounting exchange rate of the Commission in the month during which that expenditure was submitted for verification (Art.38, ETC)
- Hierarchy of rules for eligibility continued (Art. 37, ETC)
- MA opinion (with involvement of MC) prevails over AA on the eligibility as such of an operation selected under the Interreg programme objectives
- Eligibility provisions (formerly included in a separate delegated act) have been integrated into the CPR, except:
 - flat rate for travel & accommodation: up to 15% of the direct staff costs
 - budget line: Infrastructure & works (Art. 44, ETC)
 - VAT eligible expenditure for projects < 5M euros (including VAT), for projects > 5M euros, where it is non-recoverable under national VAT legislation (Art. 64, CPR)
- Simplified cost options

- Projects up to 200,000 EUR only SCOs (Art. 53, CPR) (100,000 EUR small project funds (Art. 25, ETC)
- Admin costs (indirect costs) (Art. 54, CPR):
 - up to 7% flat rate of eligible direct costs
 - up to 15% flat rate of eligible direct staff costs
 - up to 25% flat rate of eligible direct costs (methodology required)
- Staff costs (Art. 55, CPR): 20% flat rate of other eligible direct costs; without there being a requirement for the Member State to perform a calculation to determine the applicable rate if no public procurement above threshold (works & services)
- Other costs than staff (Art. 56, CPR): up to 40% flat rate of eligible direct staff costs to cover all other costs.
- Travel & accommodation (Art. 41, ETC): may be calculated at a flat rate of up to 15% of eligible direct staff costs.

Regulatory references

The MA has the overall responsibility for management verifications, carrying out verification of the expenditures incurred and paid by the beneficiary.

Regulation (EU) 2021/1058 – on the European Regional Development Fund and the Cohesion Fund
 Regulation (EU) 2021/1059 (ETC) – on specific provisions for the European territorial cooperation goal (Interreg)

Regulation (EU) 2021/1060 (CPR) – common provisions on the European Regional Development Fund
 Article 46, ETC – Function of the MA

Article 72, CPR – Function of the MA

Article 37, ETC – Rules on the eligibility of expenditure

Article 63, CPR – Eligibility

Article 64, CPR – Non-eligible costs

Article 38, ETC – General provisions on the eligibility of cost categories

Article 39, ETC – Staff costs

Article 40, ETC – Office and administrative

Article 41, ETC – Travel and accommodation

Article 42, ETC – External expertise and services

Article 43, ETC – Equipment

Article 44, ETC – Infrastructure and works

Article 69, CPR – Responsibilities of MSs

Article 74, CPR – Management verifications

Article 81, CPR – Management verifications and audits of financial instruments

Article 82, CPR – Availability of documents

Administrative and on-the-spot verifications

Every administrative and on-the-spot verification consists of procedures that controllers apply in chronological order. When performing the control, these procedures provide a complete picture of the co-financed activities and project-related expenditures declared by the beneficiaries. Then, a conclusion in the form of a *control certificate* shall be issued on the verified cost items. It shows if the reported expenditures comply with the principles of “economy, efficiency, and effectiveness” of public money spent (sound financial management), also the compliance of the co-financed activities with EU legislation programmes requirements national legislation; the hierarchy of rules shall be observed.

Methodology and Scope of verifications

Verifications under Article 74 (2) common provision regulation comprise two key elements:

- Administrative verifications (i.e., desk-based) regarding each application for reimbursement by beneficiaries and
- On-the-spot verifications of operations. Controllers shall ensure that all the project outcomes have been delivered and paid out in compliance with the programme's requirements and relevant Regulations – EU and national, and specific national legislation (i.e., public procurement rules).

Administrative verifications must be carried out to control the expenditures reported by beneficiaries and the relevant supporting documentation.

On-the-spot verifications must be carried out to control delivery of the co-financed services, supplies and works, and aspects that cannot be observed during administrative verifications.

The novelty for 2021 – 2027 is that *management verification* is risk-based performed and proportionate to risks identified ex-ante and in writing.

Reference document – EGESIF_14-0012_02 final, Guidance for the Member States on Management verifications (programming period 2014-2020)

https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_management_verifications_en.pdf

Types of verifications

Administrative verifications (ADMV), also known as desk-based verifications, are the control checks the controllers undertake on the documentation of each claim for reimbursement in their own offices. The control must be carried out for any intermediate or final claim for reimbursement submitted by beneficiaries to control the expenditures reported and relevant supporting documentation.

Controllers can complete administrative verifications regularly over the main cost categories (i.e., budget lines for staff, administrative, travel and accommodations, external expertise, equipment, infrastructure and works). Thus, verifications are undertaken through the inspection of documents and records. In simple terms, it is the reading and understanding of any relevant document, provided in electronic form or print out of an electronic record.

Once the administrative verifications are done, prepare the verifications on-site while increasing the control for the uncertain expenditure items and risky areas only – and outcomes that require specific control (i.e., publicity and visibility perspective); typical actions for on-the-spot verifications, interviews, and walk-throughs.

On-the-spot verifications (OTSV) are the control checks the controllers undertake at the premises of beneficiaries or project-related sites (on-site verifications). The control must be carried out to check the actual delivery of the co-financed services, supplies and works, and aspects that cannot be observed during administrative verifications. Verifications are undertaken on the project's physical progress, delivery of the products, services and works, publicity rules, accounting system, and related documentation. Control also includes reviewing documents requiring special attention (i.e., documents lately requested through clarifications, the partner accounting system, and related documents).

Any checks are undertaken without prior notice (by definition). Administrative verifications are performed based on the request that beneficiaries submit to controllers. Therefore, the controllers do not notify the beneficiaries when the control starts; the request to verify the expenditures submitted by the beneficiary indicates that the controls shall start.

However, on-the-spot verifications are checks with prior notification. The notification should be done with sufficient time in advance to allow the project partner to prepare all the available resources. – the responsible person shall be available at the moment of control at the project premises (i.e., project manager,

financial officer), documentation to be verified (supporting documents) and the project deliverables (delivery of products, services and works). The controller should perform on-the-spot checks after undertaking a risk-based analysis based on the type of beneficiary and operation, amount requested, size of procurement, etc.

Do not duplicate the work!

Online verifications (ONLV) — an innovative tool for verifications

Online verifications, complementing the administrative and on the spot verification, represent an innovative option to reduce the time, human, and financial resources for control. Although we refer to the key types of verifications (administrative and on-the-spot), online verifications have been introduced as an optimal option and a key element needed for management verifications during pandemic times.

Besides the added value of the online verifications (by reducing the resources involved and shorter the time allocated for control), the advantages of using these online verifications have been considered to enhance and provide quality control and complete the work done with administrative/on-the-spot verifications. Also, the online working environment (teleworking) is suitable for beneficiaries and controllers.

Reference documents for verifications of expenditures — Fact sheets on the eligibility of different categories of expenditures (staff, office and administration, travel and accommodation, external expertise and services, equipment, infrastructure and works) are available on the Interact website:

https://www.interact-eu.net/library?title=&field_fields_of_expertise_tid=10&field_networks_tid=All

Matrix of costs - examples of expenditure under different categories of expenditure/ budget lines

<https://www.interact-eu.net/download/file/fid/12798>

Purpose of verifications

To observe the legality, regularity, and reality of the expenditure in compliance with the EU legislation programmes requirements and national legislation.

Control should ensure that all the products and services paid for have been delivered and costs paid out in compliance with all relevant regulations. It should establish the correctness and eligibility of the expenditures incurred by the beneficiaries and thus guarantee to the Managing Authority that all programme provisions and legal requirements, and provisions of the signed subsidy contract have been respected.

In respect of legality and regularity: to observe the compliance with the relevant eligibility rules and Community and national rules on public procurement, state aid, environment, sustainable development, publicity, equal opportunity requirements, non-discrimination.

In respect of reality: to observe the existence of the project outcomes, including physical progress of the project and compliance with the terms and conditions of the Subsidy Contract, that the actual products, services and works exist.

Verifications of expenditures aim:

- To establish the correctness and the eligibility of the expenditures incurred
- To guarantee that all programme provisions and legal requirements have been respected
- To observe the respecting of the EU legislation, programme rules and national legislation (when applicable) regarding the public procurement procedures, information and communication and relevant horizontal principles
- To confirm that all expenditures requested for reimbursement are related to activities proposed for financing

- To observe if the expenditures are incurred and paid
- To verify the existence of all co-financed services, supplies and works
- To observe that expenditures incurred and paid are in line with the latest approved application and related budget (or in line with the notified modifications)
- To observe the existence of services, supplies, and works co-financed by the programme; the reality of the expenditures reported by the beneficiaries.

Reference document — EGESIF 14-0012_02 final, Guidance for the Member States on Management verifications (programming period 2014-2020)

https://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_management_verifications_en.pdf

Intensity of verifications

It must be ensured that reported expenditure within the payment claim of each beneficiary is at least controlled once during the project implementation; Art. 68(2) new CPR and Art. 46(6) new ETC.

The intensity of administrative verifications — control is dependent upon:

- Type and quality of expenditures reported
- Number of clarifications rounds with beneficiary
- Quality of expenditures after clarifications

Intensity, frequency, and coverage of on-the-spot verifications proportionate to public support and the risk identified during the administrative verifications — controls are dependent upon:

- Nature of the project
- Type of beneficiary
- Complexity of operations
- Level of risk identified during administrative verifications
- Overall amount and value of items requested for verifications

Sampling for on-the-spot verifications

Management verifications (Art 74, CPR) shall be risk-based and proportionate to the risks identified ex-ante. Controllers perform on the spot verifications based on a risk-based assessment of the expenditures reported, which differs from a sampling methodology established ex-ante by the Managing Authority. The level of risk identified during the administrative verifications influences the extent and detail of on-the-spot verifications.

The sample can be done by performing:

- Risk-based assessment based on your knowledge and experience on the programme and types of operations
- Cross-checks with the bodies within the management and control system
- During the current control by drawing conclusions for the subsequent applications for reimbursement and reports

The sample could focus on:

- High-value operations
- Operations with problems previously identified
- Unusual transactions identified during the administrative verifications that require further examination
- Risky and suspicious items

It is not recommended to sample the following: first application for reimbursement and report, public procurement, or certain budget lines with low-quality reporting in the previous report, and costs calculated and reported based on simplified cost options.

Risk-based assessment

It is undertaken by estimating the quantitative and severity of the risk related to a specific situation.

It could be an analysis of potential error sources for the project's financial report. Assessment requires experience with the quality of the expenditure reported by the beneficiary.

Inherent risk:

- Typical for a particular type of partner, project or report
- Nature of the partner (e.g., 'private', 'inexperienced', 'history of fraud'),
- The project (e.g., a large number of partners', 'intangible outputs') or
- Types of transactions (e.g., 'public procurement'). Inherent risks assessed based on experience

Control risk:

- Quality of internal accounting and controls of the partner
- A new person responsible for the preparation of reports and applications for reimbursement
- Possibility of individual errors or mistakes.

Reference document – Fact sheet on the risk assessment and definitions of the terms is available on the Interact website:

<https://www.interact-eu.net/sites/default/files/content/doc/Fact%20sheet%20-%20Risk%20Assessment.pdf>

Annex 1 – a non-exhaustive list of supporting documentation controlled

Administrative verifications may include the control of supporting documentation. However, the documents are provided in support of the expenditures reported and calculated on a real cost basis. As for the costs calculated based on simplified cost options, consider the

N.B – the list of the supporting documents with elements collected during the Interact workshops is not exhaustive and cannot be applied to all claims for verification. However, it gives a practical view of the documents provided by the beneficiary and checked by the controllers.

Supporting documents for control:
In electronic form or hard copy
<ul style="list-style-type: none"> • Bookkeeping records, general ledger, relevant accounting document • Copies of the original invoices and other accounting documentation • Proof of payments, orders and bank account statements, receipts, cashbook • Adequate documentation for payroll costs • Copies of employment contracts, individual contracts for project assignment or similar • Timesheets of the part-time employees reporting on an hourly basis (working time will not exceed the conventional working time allowed) • Salary slips of the full-time/part-time employees, basic gross salary, basic rate, permanent bonuses and deductions, both employer and employee contributions to the state budget, and social insurance charges • Payment orders, bank statements for the paid-out salaries

- Participant lists with signatures of project-related activities, invitations, agenda, minutes, attendance records (i.e., seminars, working groups, meetings etc.).
- Travel documents, including transport documents according to programme eligible expenditure rules
- Copies of project-related contracts, procurement documents and related materials to verify and prove the procurement processes
- Explanation of the depreciation method used (if the case)
- Calculation methods, rationale, and documentation for the value of any equipment to be used by the project
- Proofs of delivery of the outcomes
- Specimens of booklets, outputs, tangible or intangible results of services, studies, publications etc., which are produced by the beneficiary.
- Certification that VAT is not recoverable; VAT will be considered as eligible costs if the beneficiary proves unable to reclaim it (can be submitted electronically)

Annex 2 –existing EU legal framework

Title	Year	Link
Selection of available Regulations 2014 – 2020		
(EU) 2021/1058 — on the European Regional Development Fund and the Cohesion Fund	June 2021	Link
(EU) 2021/1059 (ETC) — on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments	June 2021	Link
(EU) 2021/1060 (CPR) – common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime	June 2021	Link
EGESIF_14-0012_02 final – Guidance for the Member States on Management verifications (programming period 2014-2020)	Sept 2015	Link
EGESIF_14-0017 – Guidance on Simplified Cost Options (SCOs): Flat rates, Standard scales of unit costs, lump sums	Sept 2014	Link
EGESIF 15-0008-05 – Guidance for the Member States on the Drawing of Management Declaration and Annual Summary – and the Annex 2 – typology of findings from management verifications (programming period 2014-2020)	August 2015 Revision 2018	Link
Guidance on public procurement – on avoiding the most common errors in projects funded by the European Structural and Investment Funds	Revision 2018	Link
C(2019) 3452 final – Commission decision and the annex laying down the guidelines for determining financial corrections for non-compliance with the rules on public procurement	Revision 2019	Link

EGESIF_14-0021-00 – Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures – and the Annexes in the Management and Control section	June 2014	Link
Guidance on European Structural and Investment Funds 2014-2020 on SCOs – management and control		Link
Regulatory Framework public database	RegioWiki	Link
Public procurement-related information on the European Commission webpage		Link
Directive 2014/24/EU on public procurement <i>(Make sure to check the public procurement law in your country!)</i>	February 2014	Link
Public procurement - Guidance for practitioners on avoiding the most common errors in projects funded by the European Structural and Investment Funds	Revision 2018	Link
Guidelines for determining financial corrections for non-compliance with the rules on public procurement	Revision 2019	Link
A practical guide on identifying conflict of interest in public procurement procedures	2013	Link
Guidance on the avoidance and management of conflicts of interest under the Financial Regulation	2021	Link
2021-05-03 Checklist Assessment audits of SCO's <i>* The checklist has been developed by the Commission services for the audits of SCOs carried out by the services of DG REGIO, EMPL and MARE for ERDF/CF, ESF+ and EMFF in the framework of the programming period 2021-2027.</i>	2021	Link