
Interreg IPA Romania-Serbia Programme

RISK BASED MANAGEMENT VERIFICATIONS METHODOLOGY



Structure

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Specific focus on prevention and trainings

- **Analysis** of all data related to errors, irregularities and outcomes of audit missions – eMS data;
- Continuously involved in **exchanges with other programmes**;
- **Programme bodies meetings**: exchange ideas and ensure a unitary approach and a common understanding;
- **Administrative capacity**: during the entire programming period & at all levels;
- **AA discussions and feedback incorporated, MC approval.**

Specific focus on prevention and trainings

- Before the start of the implementation of the projects, the programme bodies will organize a series of training sessions for the beneficiaries, in order to reduce the risk of errors when reporting costs to the controllers.
- During the implementation period of the projects training sessions will be organized for the projects' beneficiaries, as recommended in the Programme Evaluation Action Plan (2019).
- These training sessions shall focus in particular on state-aid incidence, public procurement procedures, including conflict of interests, financial management and control, including anti-fraud measures.

Specific focus on prevention and trainings

- After the start of the projects' implementation, the MA shall ensure a continuous collection of feedback from the controllers, authorizing unit personal and auditors, in order to update and improve the system.
- Moreover, through regular meetings, the MA will provide training and continuous guidance to the controllers, in order to address specific issues and risks related to their activity.

Risk mitigation

- Reducing the number of options that a programme offers to reimburse certain cost categories. Thus, for certain cost categories either real cost or flat rate/ lump sum is allowed and the beneficiaries cannot choose to use both for the same category;
- Extensive use of simplified cost options, using all the off-the-shelf flat rates available in the Regulation and also programme-specific lump sums for project preparation and project closure;
- Using JeMS as a single electronic centralised IT system where all invoices and supporting documentation are stored for the audit trail, elimination of hard copies/ paper versions and using e-signature;

Verifications

- The Programme reimburses as **flat rate** the costs for: **staff, travel and accommodation, office and administrative and lump sums for project preparation and project closure**, the only categories remaining to be verified by the controllers are infrastructure & works, equipment and external services*.
- The Programme decided that ALL projects shall have a minimum of 50% of their budget dedicated to **investments (infrastructure/ equipment)**.
- **Strategic importance and large infrastructure projects** due to their size, impact, number of partners and other implications and external factors are automatically considered high risk.

Verifications

- **Reports with investment items will be verified 100%** (the direct costs included within) in order to enable Audit Authority's verification, for obtaining the reasonable assurance that the control system was effective in preventing errors.
- ***External services & expertise** and also **direct award procedures/ single tenders** - including for works and equipment, the verifications shall be done based on the risk factors identified in the methodology, namely these types of expenditure **will not be verified 100%**.

Verifications

- “... *Management verifications should be proportionate to the risks resulting from that risk assessment and audits should be proportionate to the level of risk to the budget of the Union*” – CPR, the Programme has identified **2 layers of risk factors**, one at the level of FLC and one at the level of MA.
- Therefore, the controllers shall determine the level of risk based on the nature of the expenditure included in the list of expenditure and will then perform verifications depending on the risk levels (100% verifications for reports with higher risk/ less extensive verifications for reports with lower risk).

FLC risk factors

Risk factors	Low	High	Score
	1 point	5 points	≤ 10 points = simplified checklist; ≥ 11 points = 100% verification
Type of FLC request	Next reports = 1	First report = 5	
Size of the FLC request in the total budget of the partner (20%)	$< 20\% = 1$	$\geq 20\% = 5$	
Content of the project activities included in the FLC request (public procurement procedure OR direct award/ single tender)	Single tender (RS) / Direct procurement (RO) = 1 point for 1 single tender	procurement procedure, when it's verified in the current report = 5 If the procurement procedure was verified in the previous reports = 1	

FLC risk factors

Previous results of controls (only 2 corrections related to public procurement, in the previous reporting periods and/ or a fraud suspicion)	Less than or equal to 2 corrections AND NO fraud suspicion = 1	More than 2 corrections in the previous reports (2021-2027 programme) AND/OR 1 fraud suspicion = 5	
Previous irregularities at the level of the partner and/ or confirmed frauds, including in the 2014-2020 period	Less than or equal to 2 = 1	More than 2 = 5 points	

Extension of the verifications by the controller

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- Regardless of these factors, the controller may extend the verification based on his/her professional judgement.
 - For the purpose of an adequate audit trail, the controller must document and describe, in the checklist, why the verification was extended; and also refer to the results and the types of errors detected during verification.

Main principles for the extension of the verification (the list is not exhaustive):

- case by case based on controllers' professional judgement or based on previous experience, in order to obtain the reasonable assurance on the conformity, legality and regularity of the expenditure.

Verifications

- where ineligible cost (except for missing documents etc.) in the verified expenditures is found:
 - up to 2% of the reported amount in specific costs category, the verification will not be extended;
 - more than 2,01 %, the verification will be extended to 100 % of costs included in the partner report;

MA risk factors

1. All procurements above the Official Journal of the European Union threshold will be checked for both Romanian and Serbian partners;
2. For the Romanian partners, the rest of the procurement procedures (above direct award), carried out by the public partners according to Law 98/2016, will be checked for a limited period of 1 year from the date of submission of the first project report to MA (with the exception of project preparation expenditure). The project reports will be authorized without sampling, taking into account the following aspects:

MA risk factors

3. The improvement of the control system will be pursued through:

- error-free reporting by partners – will lead to a decrease in the processing time of reports and, implicitly, faster reimbursement by the EC of expenses (including those related to the technical assistance)
- tracking the timely submission of partner reports to the controllers, according to the Programme rules;
- respecting the spending of the amounts per period;
- reaching the de-commitment targets for each partner, as set in the subsidy contracts (if applicable);

MA risk factors

3. The improvement of the control system will be pursued through:

- deviations from the schedule of activities, with a direct impact on the degree of absorption and the implementation period of the project - based on the information from JEMS, corroborated with that provided by Joint Secretariat and MA Monitoring Unit (in the Checklists);
- the existence, at the level of a partner report, of amounts suspended by controllers ("parked items) - which represents a risk due to the fact that it signals a possible violation of the rules of the programme and/ or the legislation in force;

MA risk factors

3. The improvement of the control system will be pursued through:

➤ if there are irregularity alerts confirmed or still under verification and/ or fraud alerts, the project will have a high degree of risk.

It will change and become low if the debits were recovered, the irregularity decisions were cancelled in court or following the appeal, and the fraud alerts were closed with Failure to prosecute by National Anti-Corruption Department/ National Anti-Fraud Department/ AFCOS/ prosecutor's office/ etc.

Updating the Methodology

The risks identified at the beginning of the programming period, shall be periodically assessed by the programme authorities, based on:

- Corrections from FLC/ MA
- The error rate between the expenses validated by controllers and MA
- The number of acquisitions for which MA identified irregularities and applied financial corrections over the controllers
- Audit missions' results (Audit Authority, European Commission, European Courts of Auditors)
- Guidance from the European Commission

Updating the Methodology

The risks identified at the beginning of the programming period, shall be periodically assessed by the programme authorities, based on:

- Results of the missions organized by the Department for Fight against Fraud, European Anti-Fraud Office, European Public Prosecutor Office
- Exchanges with other programmes during Interact workshops
- The methodology will be periodically updated according to:

Updating the Methodology

After the first accounting year, the risk re-assessment & present methodology will be updated if needed, in order to reinforce the controls or further reduce them depending on the level of risks.

Moreover, based on system audit results or if there are factors affecting the risks, the methodology will be revised whenever needed and re-submitted for approval to the Monitoring Committee.



Oana Cristea

Head of Unit – Head of Managing Authority

Ministry of Development, Public Works and
Administration

ROMANIA

oana.cristea@mdlpa.gov.ro