

**Romanian Ministry of Development, Public Works and
Administration**

Managing Authority

(INTERREG VI-A) NEXT Romania - Ukraine Programme

**METHODOLOGY
for
RISK-BASED MANAGEMENT VERIFICATIONS**

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Table of Contents

| | |
|---|-----------|
| Abbreviations..... | 3 |
| Glossary of terms | 3 |
| 1. LEGAL FRAMEWORK..... | 5 |
| 1.1. Legal basis | 5 |
| 1.2. Relevant programme documents | 6 |
| 1.3. Guidelines..... | 7 |
| 2. RISK ASSESSMENT AND APPROACH FOR RISK BASED MANAGEMENT VERIFICATIONS | 7 |
| 3. ADMINISTRATIVE & ON-THE-SPOT VERIFICATIONS | 11 |
| 3.1. Administrative verifications..... | 12 |
| 3.1.1. Methodological aspects..... | 12 |
| 3.1.2. Actions to take | 13 |
| 3.2. On-the-spot verifications | 15 |
| 4. FINANCIAL MONITORING & VERIFICATIONS PERFORMED AT THE LEVEL OF THE MANAGING AUTHORITY | 18 |
| 5. UPDATING THE METHODOLOGY | 20 |

Abbreviations

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| AFCOS | Anti-fraud coordination service |
| AA | Audit Authority |
| CPR | Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (“Common Provisions Regulation”) |
| EC | European Commission |
| Financial Regulation | Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 |
| HIT | Harmonised Implementation Tools for Interreg Programmes |
| Interreg Regulation | Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments |
| Jems | Joint electronic monitoring system |
| MA | Managing Authority |
| NA | National Authority |
| Programme | (Interreg VI-A) NEXT Romania - Ukraine Programme |
| SCO | Simplified cost option |

Glossary of terms

For the purposes of the Programme and its related documents, the following definitions shall apply¹:

Investment

Investment means infrastructure and works and/ or specialised equipment, as well as services directly linked to the investment (Eg: feasibility study, technical project, other services necessary for their proper functioning, etc.), which contribute to the project objective and that shall remain in use after the project implementation for at least 5

¹ in accordance with the Programme Guidelines for Grant Applicants, <https://ro-ua.net/ro/finantari/apeluri-de-proiecte>

years after the final payment to the project.

Infrastructure and works

Expenditure related to infrastructure and works refers to costs incurred for the execution of the investment necessary for the implementation of the project and for achieving its objectives. These costs should be based on contracts or written agreements concluded with external experts and service providers, and paid based on invoices or requests for reimbursement

In accordance with Article 44 of Interreg Regulation, costs for infrastructure and works shall be limited to the following:

- a) building permits;
- b) building material;
- c) labour;
- d) specialised interventions.

Equipment

Costs under this category refer to equipment purchased (only new), rented or leased specifically for the purpose of the project, related supplies specifically for the purpose of the project, provided they correspond to market prices.

All costs should be listed in the project budget

The following exhaustive list includes the cost items which could be included under this budget line and these should not be included also in Office and administrative cost budgetary line:

- a) Office equipment;
- b) IT hardware and software;
- c) Furniture and fittings;
- d) Laboratory equipment;
- e) Machines and instruments;
- f) Tools or devices;
- g) Vehicles;
- h) Other specific equipment needed for the project.

Distinction should be made between the investment and other equipment used for project implementation. In this respect, the equipment that is part of the investment shall be included in the budget in distinct lines and will count for calculation of the value of the investment.

Regular projects

Projects with budget size of min. 800.000 euro - max. 1.400.000 euro (EU funds), with an investment component of minimum 500,000 EUR per project and duration between minimum 12 months to maximum 24 months. Eligibility of costs:

- flat rates:
 - o staff costs - (up to) 20% of the eligible direct costs other than staff costs;
 - o office & administration costs - (up to) 7% of the eligible direct

| | |
|-----------------------------|--|
| | <ul style="list-style-type: none"> costs (including staff costs); <ul style="list-style-type: none"> ○ travel & accommodation costs - (up to) 15% of direct staff costs; - real costs (to be verified by the controller): external expertise and services, equipment, infrastructure and works. |
| Small scale projects | <p>Projects with budget size of min. 250.000 euro - max. 400.000 euro (EU funds) and duration between minimum 12 months up to 18 months.</p> <p>Eligibility of costs:</p> <ul style="list-style-type: none"> - flat rates: <ul style="list-style-type: none"> ○ staff costs - (up to) 20% of the eligible direct costs other than staff costs; ○ office & administration costs - (up to) 7% of the eligible direct costs (including staff costs); - real costs (to be verified by the controller): travel and accommodation, external expertise and services, equipment, infrastructure and works. |

1. LEGAL FRAMEWORK

1.1. Legal basis

Article 46(3) and Article 46(7) of Interreg Regulation

By way of derogation to point (a) of Article 74(1) of Regulation (EU) 2021/1060 and without prejudice to Article 45(5) of this Regulation, the Member States, and where applicable, the third country, partner country or OCT, participating in the Interreg programme, may decide that management verifications referred to in point (a) of Article 74(1) of Regulation (EU) 2021/1060 are to be done through the identification by each Member State of a body or person responsible for this verification on its territory (the ‘controller’).

Each Member State, third country, partner country or OCT shall be responsible for verifications carried out on its territory.

Article 74(1)(a) and Article 74(2) of CPR

As regard the management verifications, the managing authority shall:

(a) carry out management verifications to verify that the co-financed products and services have been delivered, that the operation complies with applicable law, the programme and the conditions for support of the operation, and:

(i) where costs are to be reimbursed pursuant to point (a) of Article 53(1), that the amount of expenditure claimed by the beneficiaries in relation to these costs has been paid and that beneficiaries maintain separate accounting records or use appropriate accounting codes for all transactions relating to the operation;

(ii) where costs are to be reimbursed pursuant to points (b), (c) and (d) of Article 53(1), that the conditions for reimbursement of expenditure to the beneficiary have been met;

Management verifications referred to in point (a) of the first subparagraph of paragraph 1 shall be risk-based and proportionate to the risks identified ex ante and in writing.

Management verifications shall include administrative verifications in respect of payment claims made by beneficiaries and on-the-spot verifications of operations. Those verifications shall be carried out before submission of the accounts in accordance with Article 98.

In accordance with recital 62 of CPR, to ensure an appropriate balance between the effective and efficient implementation of the Funds and the related administrative costs and burdens, the frequency, scope and coverage of management verifications should be based on a risk assessment that takes into account factors such as the number, type, size and content of operations implemented, the beneficiaries as well as the level of the risk identified by previous management verifications and audits. 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.

*Pursuant to the provisions of article 74 of CPR, **the managing authority shall carry out management verifications to verify that the co-financed products and services have been delivered, that the operation complies with the applicable law, the programme and the conditions for support of the operation and confirm that the expenditure entered into the accounts is legal and regular.***

Moreover, according to article 69 of CPR, Member States shall ensure the legality and regularity of expenditure included in the accounts submitted to the Commission and shall take all required actions to prevent, detect and correct and report on irregularities including fraud.

In addition, in its Reflection Paper “Risk based management verifications - Article 74 (2) CPR 2021-2027”, the EC states that “MAs remain responsible for developing and implementing the risk-based management verifications.”

Considering the legal framework, the cooperation goal and in order to ensure equal treatment, the risk assessments and decisions made by controllers should follow the same principles, regardless of the project/partner in questions or the country of the controller.

In this respect, the Programme authorities have developed a methodology for risk-based management verifications at Programme level and the minimum requirements (and risk factors) for risk-based management verifications, to be used for the controllers in all participating countries.

1.2. Relevant programme documents

- [\(Interreg VI-A\) NEXT Romania-Ukraine Programme](#), approved by the EC Implementing Decision no. 8931/30.11.2022, with subsequent revisions;
- Description of the Management and Control System of the Programme;
- Financing Agreements signed by the partner countries, EC and MA for the Programme.

1.3.Guidelines²

EC:

- [Reflection Paper “Risk based management verifications - Article 74 \(2\) CPR 2021-2027”, 24/05/2023 \(CPRE_23-0005-01\);](#)
- Methodological Note for the assessment of management and control systems in the Member States, 24/05/2023 (CPRE_23-0007-01);
- Methodological Note on the Annual Control Report, Audit Opinion and Treatment of Errors - programming period 2021-2027, Version 12/06/2023 (CPRE_23-0013-00);
- [Guidance for Member States on Fraud Risk Assessment and Effective and Proportionate Anti-Fraud Measures](#) (EGESIF_14-0021-00) - Even though it covers the 2014-2020 programming period, the general principles may be considered for the 2021-2027 programming period as well.
- [Guidance on the avoidance and management of conflicts of interest under the Financial Regulation, Commission Notice](#) (2021/C 121/01) - The concept, obligations, purpose and principles are relevant also in the 2021-2027 programming period.

Interact³:

- Guidance on the risk-based management verifications for 2021-2027 and HIT methodology;

TESIM⁴:

- [Management verifications in the Interreg NEXT programmes.](#)

ECA⁵:

- [Panoramă a cadrului de asigurare și a principalilor factori care au contribuit la erorile constatate în cheltuielile din domeniul coeziunii din perioada 2014-2020](#)

2. RISK ASSESSMENT AND APPROACH FOR RISK BASED MANAGEMENT VERIFICATIONS

In accordance with article 46(3) of the Interreg Regulation, the Programme participating countries have taken over the responsibility for management verifications referred to in article 74(1)(a) of the CPR.

Article 74(2) of CPR stipulates that management verifications shall be risk-based and proportionate to the risks identified *ex ante* and in writing. Management verifications include administrative verifications in respect of payment claims made by partners, as well as on-the spot verifications.

² not legally binding

³ <https://www.interact-eu.net/>

⁴ <https://interregtesimnext.eu/>

⁵ <https://www.eca.europa.eu/ro>

To ensure equal treatment of the project partners and adequate quality standards of the control work and a harmonized approach across the participating countries to the Programme, the Programme structures decided to develop the methodology for risk-based management verification (hereafter referred to as the ‘Methodology’) that is applied for the whole Programme and to set Programme minimum requirements (and risk factors) for the risk-based verifications.

Risk-based means that controllers should focus their verifications on areas where, following a risk assessment, the risk of material misstatement is high. In areas where the risk of material misstatement is low, control work should be reduced.

Considering the provision of recital 62 of CPR *“To ensure an appropriate balance between the effective and efficient implementation of the Funds and the related administrative costs and burdens, the frequency, scope and coverage of management verifications should be based on a risk assessment that takes into account factors such as the number, type, size and content of operations implemented, the beneficiaries as well as the level of the risk identified by previous management verifications and audits”*, the present Methodology is based on the lessons learnt and historical data related to the projects implemented during 2014-2020 programming period, generated for 2 levels of control, national controllers and MA.

The projects implemented in 2014-2020 programming period involved a minimum 2 and maximum 8 partners from the participating countries, falling under the categories of regional, local or national public authority, bodies governed by public law, non-profit organizations. The grants awarded for the implementation of a project ranged between the minimum 98.000 euro and maximum 6.600.000 euro, with an average per partner of approximately 270.000 euro.

Main areas where frequent errors were identified by the by previous management verifications and audits were public procurement procedures for expenditure under budget categories *external expertise, equipment, infrastructure and works*, and the errors were related to the misapplication of public procurement rules and artificial splitting of public procurement contracts. Other errors were related to staff (miscalculation, budget exceeding, exceeding of unit rates), keeping an adequate audit trail at partner level, compliance with other Programme's eligibility rules for expenditure.

The errors were identified for both public and private beneficiaries and irrespective of the size of grant managed by the respective entity, therefore the category and size of budgets do not represent significant risks to be taken into account when preparing the risk-based management verification methodology.

On the other hand, during 2014-2020 programming period a national control system has been established in the participating countries in order to check the expenditure made by the project partners from each country. The national control systems are centralized, using public officers for expenditure verifications. The knowledge and know-how for expenditure verifications are well preserved and, if the case, transferred, when using a centralized system

In addition, when preparing the Programme methodology, the Harmonised Implementation Tools (HIT)⁶, coordinated by Interact, respectively the HIT methodology for risk-based management verifications was considered as a basis for the risk-based controls and verifications.

The following risky elements were identified by Interact when developing the HIT methodology:

- staff cost item - if staff cost is not flat rate for the partner;
- items linked to a procurement.

The above risky elements are automatically included in the control list by the electronic monitoring system of the Programme (Jems).

In order to address the main risks faced by the Programme during the previous programming period, several mitigation measures have been implemented for the 2021-2027 period, such as:

- use of simplified cost options (SCOs), using of the off-the-shelf flat rates available in CPR. In the previous Programme, a flat rate for office and administration costs was used as simplified costs option. For the 2021-2027, it was decided to keep this SCO (in accordance with art. 54(a) of CPR) and to also use a flat rate of (up to) 20% for staff costs in accordance with art. 39(3)(c) of Interreg Regulation and a flat rate of (up to) 15% for travel & accommodation - for regular projects; in case of small scale projects, it was decided to use a flat rate of up to 20% of eligible direct staff costs for all other eligible costs, in accordance with art. 56(1) of CPR, and a flat rate of up to 7% of eligible direct costs for office and administration .

These flat rates will lead to a reduction of work for partners and controllers and should also reduce the risk of errors for the respective cost categories.

- using Jems as an electronic monitoring system where all invoices and supporting documentation are stored, elimination of hard copies/ paper versions and using e-signature where possible; all the documents needed for the verification of costs will be uploaded in JEMS and this will further facilitate the work of controllers and auditors and reduce the risk of errors/findings linked to audit trail.
- Specific focus on prevention and trainings. In order to have an efficient management and control system at the level of the Programme:
 - The programme bodies should enhance the administrative capacity necessary for the coordination, management and implementation of EU assistance. Thus, the staff should attend trainings in the fields of management of the EU funds, including financial management and control, management verifications and financial corrections, identification and management of risks (including fraud risks, conflict of interest, etc.), management and mitigation of irregularities and frauds, etc.

⁶ HIT tools are the harmonised, best-practice templates and tools for Interreg programmes. <https://www.interact-eu.net/about-interact/our-tools/hit>

- The control procedures and guidelines shall be developed and provided to the controllers and trainings will be organized for a thorough understanding of the requirements. In order to ensure quality of the control system, the Managing Authority will perform verifications of acquisition procedures according with its specific procedures in order to assess the quality of the controllers' work and to ensure that the commitment given by the controllers is respected.

If any doubt emerges about the quality of the control carried out by a controller, the MA may carry out an in-depth examination of the financial project reports submitted and has the right to request from the controller additional justifications, explanation, if necessary.

Following the quality controls, the Managing Authority may make general recommendations to the controllers, in order to encourage a long-term improvement of controls.

In addition, the Programme will provide training and guidance for projects to reduce the risk of errors when reporting costs to the controllers:

- the reporting requirements for real costs shall be mentioned in MA instructions issued for national controllers and explained during workshops/seminars, to reduce the risk of errors for the real costs, as well as the impact for the related flat rates;
- public procurement rules and related risks identified by MA, controllers or audits will be clearly explained in Programme seminars/training/webinars. The training sessions shall also focus on conflict of interests, financial management and control, anti-fraud measures, etc.

The focus of management verifications shall be on the risky cost categories in the partner reports. Both administrative (on-desk) and on-the-spot verifications should be proportionate to the risks identified, focusing on risky elements. The risky elements based on the lessons learnt and historical data are items linked to a procurement. Moreover, in order to ensure the application of the sample methodology in a unitary way at Programme level, the functionality of JEMS for automatically drawing of sample will be used, which includes staff cost items (if not flat rate) and items linked to a procurement as risky elements in the control list.

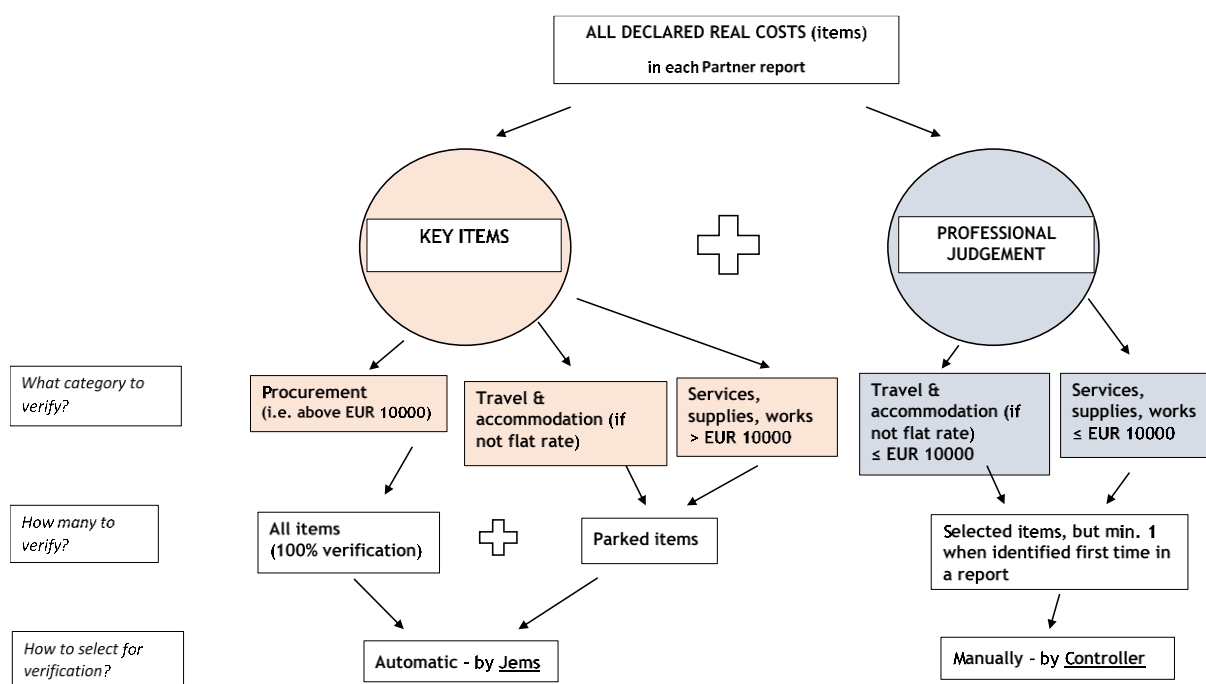
Having in view all the above, **the Programme decided that the verification of each partner progress report consists of a full verification of risky items (automatically included in the control list by Jems).**

Also, the controllers may extend the verifications, based on their professional judgement. The items picked up for verification in this case should include at least one travel (in the case of small scale projects) and one purchase with a value of up to 10.000 EUR.

Full verification of a report could also result from the errors found by a controller in the verified items if the controller needs to obtain a necessary quality assurance level of the reported expenditure.

The chart below illustrates the logic of the Methodology and the details are presented in the

following sections of the document:



3. ADMINISTRATIVE & ON-THE-SPOT VERIFICATIONS

The main competencies and responsibilities of the national control system are:

- to verify that the co-financed products and services have been delivered, that the works have been performed and that the expenditure declared by the beneficiaries has been paid by them and that it complies with the principles of sound financial management, with applicable Union and national law, the Programme and the conditions for support of the operation;
- for simplified cost options: to verify that conditions for reimbursement of expenditure have been met.

Management verification shall include the following types of verifications:

- administrative (on-desk) verifications in respect of payment claims (project reports) by project partners;
- on-the-spot verifications:
 - at the premises of project partner/project-related site (on-site);
 - online.

3.1. Administrative verifications

3.1.1. Methodological aspects

Administrative (on-desk) verifications must be carried out to control the partner report expenditures and that they are in accordance with EU, national and Programme rules, legal acts, and the supporting documents are provided by project partners.

The controllers shall receive, via Jems, the partner report which includes the activities performed within the reporting period and expenditures claimed for reimbursement with all supporting documents.

Since the Programme reimburses as flat rate, for regular projects, the costs for staff, office and administration and travel and accommodation, the categories remaining to be verified by the controllers are: **external expertise and services, equipment and infrastructure and works.**

For small scale projects, the Programme reimburses as real costs direct costs (**travel and accommodation, external expertise and services, infrastructure and works, equipment**) and, therefore, these are to be verified by the controllers, while the indirect costs (staff and office and administration) are reimbursed as flat rate of up to 20% and up to 7% of eligible direct costs.

The control list for each partner report will be drawn by Jems based on the items included in the list of expenditure by the project partner.

Considering that the automatic list plugin is used by the Programme, the items selected by the Jems plugin will automatically be set as part of list. The standard plugin provided by Jems checks for the following criteria:

- staff cost item - if staff cost is not flat rate for the partner;
- items linked to a procurement (in Partner report - List of expenditure, **partner will link an expenditure item with a procurement only for procurements equal or over 10,000 euro**; For cost items related to a procurement **below 10,000 euro**, partner will create a Procurement in Partner report - Procurements section **not link** the expenditure item from List of Expenditure to the created procurement);
- items that were previously parked by the controller and were reincluded in the current partner report.

When automatic listing is used, the controller can't remove items from the list that were automatically included by plugin, but more items can be added to the list manually by the controller. In this respect, in case of "red flags" (e.g., items affected by irregularities in any of the previous partner reports) the controllers, based on their professional judgement should always extend the list by adding manually items where previously have been shortcomings (ineligible costs, irregularities, likelihood of fraudulent conduct, etc.); these cost categories should be further included manually in the list.

Thus, the management verifications are done by controllers at the level of each partner report, the verification being composed of:

- I. **a full key-items verification.** The following key-items are risky and should be fully (100%) verified by the controllers:
 - procurement⁷ - *for regular projects and small scale projects*;
 - previously parked items;
- II. **items picked up for administrative verification based on the professional judgement of the controller.**

3.1.2. Actions to take

1. The controller reviews the list of expenditures submitted by the partner to understand the type and nature of the expenditure (cost categories) claimed.
2. Expenditure items that correspond to the aforementioned characteristics for key-items have to be fully verified, which means that the controller should perform full verification of the item, ensuring expenditure is in line with European, programme and national eligibility rules, and complies with the conditions for support of the project and payment, as outlined in the grant contract.
3. After performing full verification of key items, the controller may extend the verification based on his/her professional judgement. Professional judgement means the application of professional knowledge and experience in defining objectives, solving problems, establishing guidelines, reviewing the work of others, interpreting results and providing and assessing advice or recommendations and other matters which have an element of latitude or decision - making.
4. For this purpose, the controller reviews the remaining list of expenditures and evaluates if additional items should be included for the verification. The controllers shall first use all the information in JEMS and may obtain additional documents and evidence from the project partners and extend the verification where, based on their professional judgement, this is required to support robust conclusions.
5. **At least one declared amount under budget line travel and accommodation, for small scale projects and one declared amount for a purchase with a total value below EUR 10.000 under budget lines external expertise and services / equipment / infrastructure and works - for regular projects and small scale projects shall be selected for verification by the controller, when identified for the first time in a report.**
6. Moreover, when assessing whether to extend the verifications, the controllers can make use of the hints presented below, based on the Programme historical data and lessons learnt.

The hints considered the analysis performed on the typology of errors, cost categories prone to errors and corrections applied. Also, the results of audits have been factored in, consolidating the conclusions drawn from the data at the level of the controllers (e.g. the majority of errors were concentrated around public procurement).

⁷ Estimated value purchases up to the amount of 10.000 euro are not included.

In consequence, the following possible risks elements were identified:

| RISKS RELATED TO PAYMENT CLAIM (PARTNER REPORT) | |
|--|---|
| Risk element | Description |
| Low quality of reports or delays in reporting | <ul style="list-style-type: none"> - A low quality level of the originally reported expenditure may be determined based on aspects such as: <ul style="list-style-type: none"> ▪ high number of clarification rounds (three or more); repetitive issues; ▪ eligibility issues - examples: <ul style="list-style-type: none"> ○ expenditures not reported in the correct cost categories; ○ large amount of errors; ○ expenditure exceeded the unit price/value of the contract; ○ expenditure reported for more items/units than supporting documents; ○ expenditure incurred after the eligibility period; ○ double declaration of costs; ○ activities/expenditure not foreseen in the application form; application form's requirements not observed (declared costs not in line with the application form and the budget of the operation); ○ communication and visibility requirements not fulfilled; ▪ audit trail issues - missing supporting information or documentation; unclear structure of supporting documents and attachments. - Exceeded deadlines set by the Programme (reports, explanations, clarifications, additional documents, payment requests, etc.) |
| Suspicious items | <p>Examples:</p> <ul style="list-style-type: none"> • cost items that seem unusual or give rise to suspicion of fraud; • suspicion of artificial split of a purchase to avoid a procurement procedure; • items similar to those where errors or ineligible expenditures were identified in the current/previous reports; • where repeated mistakes/errors, such as re-inclusion of ineligible expenditure (projects/reports), were noted in the previous reports. |

7. For the purpose of an adequate audit trail, the controller must document and describe why the list was extended; and also refer to the results and the type of errors detected during verification.

8. Following the verification performed, the controller will then either confirm or reject (in part or in full) expenditure submitted by the partner for verification. The expenditure could also be “parked” by the controller if not enough proofs are presented. The controller confirms eligible expenditure through filling-in and issuing (through Jems) the following documents:
- Control certificate, which certifies the compliance of the expenditure verified by the controller with the principles of eligibility, legality and relevance;
 - Control report and checklists in which the controller gives evidence of the verifications performed and describes the methodology used for the verifications, explanation of the nature of the documents verified, of national and EU rules checked, the extension of the sample, on-the-spot verifications, etc.

3.2. On-the-spot verifications

On-the-spot verifications are carried out:

- to ensure that the co-financed products, services and works are delivered and relevant legal acts are followed and may be performed at any time this is found necessary;
- to check the existence and effective functioning of an accounting system on the level of controlled partner;
- to check whether the partner provides accurate information on the physical and financial implementation of the operation (including output and/or result indicators), etc.

Considering both administrative (desk-based) and on-the-spot management verifications are risk-based and proportionate to the risks identified ex-ante, the intensity of administrative and on-the-spot verifications derives from the principles of this risk-based control methodology.

The controller performs on-the-spot checks after administrative verification and a risk-based analysis have been carried out. The controllers notify the project partner of an on-the-spot verification in advance, to allow the project partner to prepare all the available resources. In order to be able to plan the on-the-spot verification within the given deadline for verification, the controller should review the expenditure included, immediately after receiving the partner report for control, and check whether the conditions for the on-the-spot verification are met. The responsible person, as a rule, shall be available at the moment of control at the project premises, or at the site of the project deliverables: products, services and works.

For regular projects:

On-the-spot verifications shall be made whenever in the reporting period **investment** costs have been reported, but at least once during project’s lifetime.

The controller will perform the on-the-spot verification after the final reception (full completion according to the legal provisions in force) of infrastructure and works or final reception / delivery of goods.

On-the-spot verifications can be performed on-site (face to face) or online, as follows:

- for reports with budget line “infrastructure and works”, verifications shall be carried out **on-site**;
- for reports with budget line “equipment”, verifications may be carried out **either on-site or online**;
- in any case, at least one **on-site** verification shall be made during project’s lifetime, at the project partner level; it shall be planned, if possible, for the second half of the project’s lifetime;
- exceptions from on-site verifications can be made by the controller in justified cases such as military aggressions, epidemics, when online verification may be performed.

On-site on-the-spot verifications are performed at the premises of the partner, as well as in any other place where the project is being implemented.

For small scale projects:

On-the-spot verifications shall be made whenever in the reporting period **equipment** and/or infrastructure costs have been reported, but at least once during project’s lifetime.

The controller will perform the on-the-spot verification after the final reception / delivery of goods.

On-the-spot verifications can be performed on-site (face to face) or online, as follows:

- for reports with budget line “equipment”, verifications may be carried out **either on-site or online**;
- in any case, at least one **on-site** verification shall be made during project’s lifetime, at the project partner level; it shall be planned, if possible, for the second half of the project’s lifetime;
- exceptions from on-site verifications can be made by the controller in justified cases such as military aggressions, epidemics, when online verification may be performed.

On-site on-the-spot verifications are performed at the premises of the partner, as well as in any other place where the project is being implemented.

For regular and small scale projects:

On-the-spot verifications shall be performed not only for the infrastructure and works or equipment costs mentioned above, but as well for the other costs of the partner report that were included in the administrative check.

In addition to the minimum requirements required above for regular and, respectively, small scale projects, on-site on-the-spot verifications may be done whenever the controller considers that:

- the expenditure cannot be declared legal and regular based on administrative or online on-the-spot verifications;
- risks or shortcomings are found by the controller during the administrative or online on-the-spot verification of partner reports.

4. FINANCIAL MONITORING & VERIFICATIONS PERFORMED AT THE LEVEL OF THE MANAGING AUTHORITY

Having in view the following aspects:

- In its Reflection paper, the EC states that the MAs remain responsible for developing and implementing the risk based management verifications and also that, considering the specific of the Interreg programmes, the MA should ensure that the beneficiaries are treated equally.

According to TESIM guidelines, when management verifications rely on the controllers at national level, “on top of the verification of the completeness and correctness of the submitted documentation linked to each payment claim, the MA may consider checking selected aspects of the overall project progress before authorising the payment.”

- Considering the risk methodology developed at the level of the Programme and taking into account the provisions of article 74(2) of CPR regarding management checks that must be “proportionate to the risks identified”;
- According to the EC Reflection paper, the administrative checks carried out on the reimbursement requests submitted at the project level are done taking into account the financial status of the project implementation and it is advisable to be done in a reasonable period of time after submitting the reimbursement request;
- Considering that the checks made on the expenses requested for reimbursement should not be duplicated at the 2 levels of control, but should be complementary, and the checks must be made before the accounts are sent to the EC;
- Taking into account the fact that, by using simplified costs options that include flat rates for staff, travel and accommodation and office and administration costs (for regular projects) and for all staff and office and administrative costs (for small scale projects), the risk of error was diminished;
- Focus on checking procurement procedures, which have significant financial impact (which can affect the project/Programme implementation and the error rate), and emphasizing that, in accordance with the risk methodology, the procurement items will be verified 100% by controllers,

at the MA level, the risk-based management verifications will be performed as follows:

1. All procurements above the threshold of EUR 100,000.00 will be checked for the partners that have to follow the procurement rules of the Financial Regulation (i.e., all the beneficiaries from partner countries and the beneficiaries from EU Member States which are not contracting authorities/entities within the meaning of the applicable Union law);
2. For all the project reports submitted, the MA will check whether a complete audit trail of the controller’s work was ensured in Jems, in accordance with the Guide for control.

The improvement of the control system will be pursued through:

- a) error-free reporting by partners - would 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);
- b) tracking the timely submission of partner reports to the controllers, according to the rules of the Programme;
- c) respecting the spending of the amounts per period;
- d) the lack, at the level of a partner report, of amounts suspended by controllers ("parked expenditure" in Jems) - the existence of such amounts 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;
- e) respecting the expenditure commitment, as set out in the grant contracts;
- f) avoiding the deviations from the schedule of activities, with a direct impact on the degree of absorption and the implementation period of the project;
- g) the lack of irregularities (confirmed or still under verification) and/or suspicions of fraud - their existence would mean that the project would have a high degree of risk. It would change and become low if the debts would be recovered, the irregularity decisions would be cancelled in court or following the appeal, and the fraud alerts would be closed by anti-fraud coordination service (AFCOS)/prosecutor's office, etc.

In the event that deviations from the schedule for submitting requests for verifications to controllers, project reports or reimbursement forecasts are noticed, the following steps will be taken:

- 1) The real status of the requests to controllers and the submission of project reports will be checked in Jems - if the available information shows that there is a gap, the partner will be contacted by email to clarify the aspects that led to this situation and the real status;
- 2) An online meeting will be organized and/or an on-the-spot visit will be made by MA if:
 - i. the project has a high risk at the level of MA (after performing the management checks described above);
 - ii. the partner did not remedy the situation / does not respond appropriately;
 - iii. from the monitoring of activities, a high risk also emerges (delays in the development of activities that do not comply with the Gantt chart from Jems);

The on-the-spot visit will include:

- i. Supporting the project partner in order to recover the gaps - encouraging urgent measures, making recommendation and establishing deadlines for remedying the identified problems - case by case;
- ii. Support in the correct reporting (if applicable) to shorten the reimbursement time;

- iii. The check of the reality of the declared expenses - especially if the project reports are included in the payment applications from the accounting year for which the accounts are to be submitted/verified. In this sense, it is preferable that the visits are made especially during July - Nov/Dec.
- 3) In case the amounts submitted for verification are lower compared to the amounts forecasted for the half of the implementation period, as mentioned in art. 5.9 of the grant contract, the MA is entitled to decommit project funds, by reducing the original project budget and the corresponding Interreg contribution.

5. UPDATING THE METHODOLOGY

The risks identified at the beginning of the programming period shall be periodically assessed by the programme authorities and the present methodology may be updated if needed, based on:

- Corrections from controllers / MA;
- The error rate between the expenses validated by controllers and MA;
- The number of procurements for which MA identified irregularities and applied financial corrections over the controllers;
- Audit missions' results (AA, EC, European Courts of Auditors);
- Guidance from EC;
- Results of the missions organized by AFCOS, European Anti-Fraud Office, European Public Prosecutor Office;
- Exchanges with other programmes.

The controls may be reinforced or further reduced, depending on the level of risks identified during the verifications already performed.