



# Methodology for controllers on Risk based management verification of expenditure of the projects of the (Interreg VI-A) Lithuania – Poland Cooperation Programme

Approved by the Managing Authority on 21 June 2024

Version 1.0

## I. Introduction and legal basis

Management verifications referred to in point (a) of the first subparagraph of paragraph 1 of Article 74(1) of Common Provisions Regulation (Regulation (EU) 2021/1060, hereinafter – CPR Regulation) 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 partners and on-the-spot verifications of operations. Those verifications shall be carried out before submission of the accounts in accordance with Article 98 of the CPR Regulation.

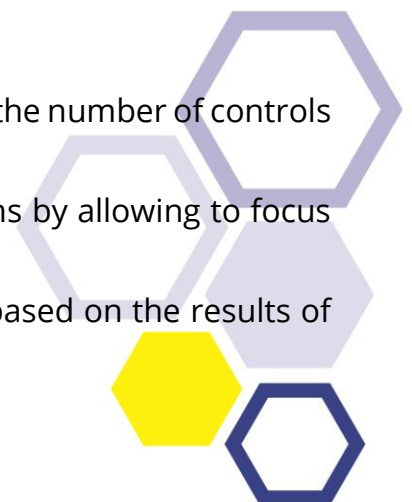
To ensure an appropriate balance between the effective and efficient implementation of the Funds and the related administrative costs and burdens, the frequency, scope and coverage of management verifications should be based on a risk assessment that takes into account factors such as the number, type, size and content of projects implemented, the partners 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 EU budget (as per Recital 62 of the CPR Regulation).

The new approach of risk-based management verifications is key to strike a balance between the protection of the EU budget and the most required simplification in the 2021-2027 programming period.

This approach will:

- significantly reduce the administrative burden for partners (as the number of controls will be reduced) as well as for MAs and JS;
- improve the effectiveness of management and control systems by allowing to focus management verifications on problematic areas.

The Managing Authority will consider revisions of the methodology based on the results of the management verifications and audit findings, if relevant.





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### II. Control system of the Programme

Controllers of the project partners of the (Interreg VI-A) Lithuania and Poland cooperation programme (hereinafter – Programme) must be chosen according to the provision set by the country where the partner is located. Depending on the Control system set up in the country, expenditure related to the Controller can be eligible for funding. In this case it is necessary to include this expenditure into the project budget already at the stage of applying for financing.

In **Lithuania** a decentralised system is established and the partners will choose the Controller in compliance with national public procurement rules and the national requirements for the Controllers (independent and certified audit companies). Minimal requirements for the Control services can be found in LT Implementing Rules ([Order of the Minister of the Interior No 1V-375 of 14 June 2023](#), [www.esbendradarbiavimas.lt](http://www.esbendradarbiavimas.lt)), the cost of conducting the control should be covered from the project budget. Lithuanian partners should take into account that chosen controller shall be accepted by the Ministry of the Interior of the Republic of Lithuania (Mol).

In **Poland**, the Control system is centralised. For Polish partners institutions responsible for conducting the control, controllers are depending on location of project partner – Voivodships of Podlaskie and Warmińsko-Mazurskie. Polish Partners do not incur the cost of the controllers. For partners outside the Programme territory, controller will be assigned by the National Authority.

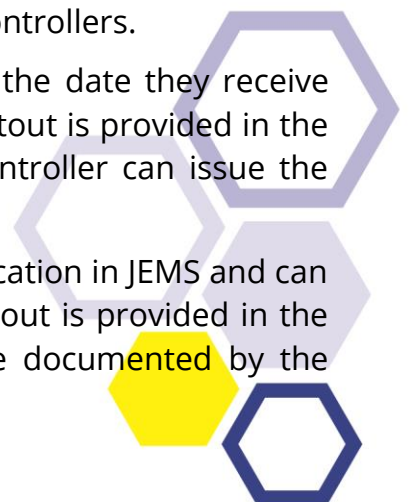
### III. Reporting

Project partners prepare and submit reports following procedure and deadlines as set in the programme manual applicable for the respective call for proposals and in the subsidy contracts. Project partners prepare and submit reports via JEMS within 5 working days after the end of the reporting period for the controller (controller will receive automatic notification from JEMS).

The registration of controller in JEMS is described in JEMS guide for controllers.

Controller checks the partner report within 60 calendar days from the date they receive partner report and issues control certificate in JEMS (provisional printout is provided in the Annex 1). Only certified and approved (for Lithuanian partners) controller can issue the control certificate.

Controller fills in minimum required information on carried out verification in JEMS and can be later extracted as the control report from JEMS (provisional printout is provided in the Annex 2). Sampling methodology used and costs verified must be documented by the





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controller, document of any form can be used. It doesn't need to be attached in JEMS, but might be requested at any time by AA, MA, JS.

### IV. Types of verifications

All project partners and their partner reports are verified via administrative verification and on-the-spot verification (according rules set in chapter IV.2). Management verifications include checks of accounting records (not applicable for simplified cost options), correctness of calculations and documentation of expenditure including procurement proceedings. Verification of partner reports is risk-based and proportionate to the risks identified at the Programme level. In this process, the controllers verify:

- that the co-financed products and services have been delivered,
- their purchase complies with applicable law (EU, Programme, national),
- the conditions for support of the project have been met,
- that the activities have been implemented in compliance with the subsidy contract and approved version of application form (AF) in JEMS.

The verification will mainly ensure that expenditure reported by project partners to the Programme is correct and in accordance with:

- provisions of the subsidy contract,
- the latest version of the approved project AF,
- the EU regulations,
- Programme rules and,
- national rules.

The Programme differentiates between two types of verifications:

- 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 project partners. At the end of the verification the controller shall document their verification conclusions in the form of a control certificate in JEMS.

#### IV.1. Administrative verifications





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Controllers, based on their professional judgement (decision-making, analyses, or evaluation based on knowledge, skills, training, or experience that the controller possesses) decides on the management verification method, i.e. whether to check all the costs declared in the partner's report or to apply a sampling of cost items.

The MAJS strongly recommends using the **sampling method** whenever possible and justified.

Only **real costs** are to be checked when considering **risky items**. Simplified cost options (SCOs) are not risky items. The controllers must include the **following minimum requirements** when drawing the **sample** for verification checks in their sampling method for each project partner report:

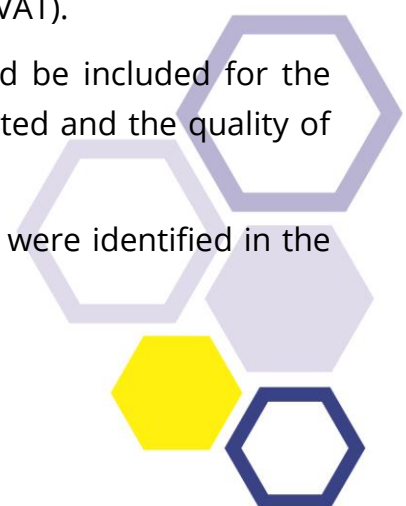
- At least 10% of the expenditure of each CC reported on **real costs** basis, and
- At least two (2) expenditure items from each CC reported on **real costs** basis (if less than 2 expenditure items are declared in CC – both items are checked) based on professional judgement.

**Moreover, the controller performs full verification of the following obligatory key items to be selected and verified:**

- In CC1, staff costs (relevant only for calls for proposals, where budget option allows staff costs as **real costs**):
  - For each staff member at least 2 months' salaries of the first progress report where staff costs occur.  
In the second ad subsequent progress partner report at least 2 months' salaries of a new staff member included for the first time in the subsequent progress partner report .
  - In the second ad subsequent progress partner report at least 2 months' salaries of a new staff member included for the first time in the subsequent progress partner report .
- In CC4, CC5 and CC6 all expenditures **at or above EUR 10.000** (including VAT);
- VAT (for projects with total costs of at least EUR 5 m, including VAT).

Moreover, controllers should evaluate if additional items should be included for the verification, based on the quality of the expenditure originally reported and the quality of key-items verification:

- items similar to those where errors or ineligible expenditures were identified in the current / previous reports;





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- where repeated mistakes / errors, such as re-inclusion of ineligible expenditure (projects / reports), 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 (in order to detect artificial splitting of contracts);
- Public procurement for contracting amounts at or above EUR 10.000 including the VAT is not claimed in the full contracted amount in the current partner report – meaning that the activity / delivery is realized in phases over more than one reporting period – this must be noted as a follow up note for next partner reports in the control report / verification check list, as errors can be detected not only in public procurement process but also in contract implementation and final delivery;
- significant “ad hoc” raises in the salaries of project staff;
- costs whose description does not appear to match the cost category they are reported in and approved AF (in order to detect costs reported under wrong categories or double financing, financing of costs which are not planned in the approved AF);
- any suspicious items based on professional judgement (decision-making, analyses, or evaluation based on knowledge, skills, training, or experience that the controller possesses).

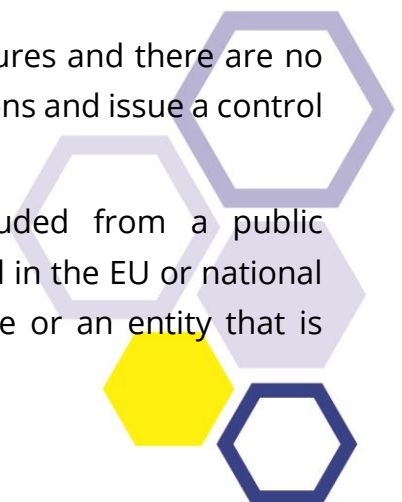
### Actions to take

1. The controller reviews the list of expenditures submitted by each project partner (a separate list of public procurement procedures reported as well as a separate list of staff cost items reported) to understand the type and nature of the expenditure (cost categories) claimed.

2. Expenditure items that correspond to the aforementioned characteristics have to be fully verified. "Fully verified" 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 subsidy contract.

3. In case the controller has not detected any ineligible expenditures and there are no other reasons for extending the sample controller may draw conclusions and issue a control certificate.

4. The controller shall check whether project partner excluded from a public procurement procedure or competition persons and entities included in the EU or national sanction lists in connection with Russia's aggression against Ukraine or an entity that is





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related to persons or entities included in these lists (Council Regulation (EU) No 2022/576 of 8 April 2022 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine).

If the controller identifies deficiencies or errors in the selected sample, further actions like an extension of the sample may be needed, even 100% verification. For such a decision, the controller must evaluate the errors and conclude on the next steps.

### **Example 1:** errors have a common feature

- The controller shall verify all similar items
- If more errors are detected, the controller proceeds with a full verification of the partner report

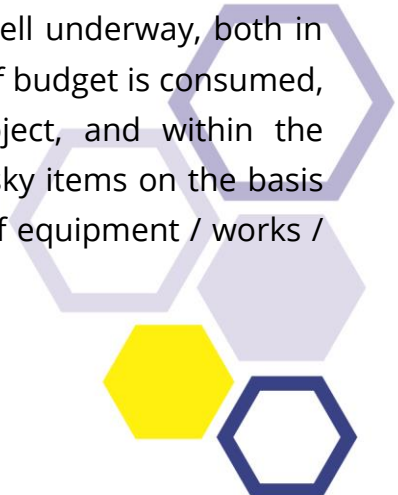
### **Example 2:** errors do not have a common feature

- The controller shall draw an additional sample of items from the remaining population of reported expenditures in the partner report.
- If more errors are detected, the controller proceeds with a full verification of the partner report. An additional reason to extend the sample can be the fact that the controller has a reasonable suspicion that the identified ineligible expenditure results from activities inconsistent with the project objectives or that the ineligible expenditure identified is the result of fraud and abuse.

**100% verification** of the expenditure within payment claims remains possible, however can only be carried out in cases when the level of risk to the EU budget was very severe that it would impose such an approach or sampling method would be very inefficient for control purposes. In case 100% verification approach was used the controller **shall duly describe** in the control report).

## IV.2. On-the-spot verifications

The controllers should also conduct management verification on the spot. Such verifications should preferably be undertaken when the project is well underway, both in terms of physical and financial progress (preferably when over 50% of budget is consumed, and, if possible, not postponing for the last period of the project, and within the implementation period of the project). Controller should check all risky items on the basis his/her professional judgement, moreover, all unit value of a piece of equipment / works / service equal or above EUR 10.000 (VAT included) should be checked.





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The controllers are asked to carry out at least one on-the-spot check of each project partner during the project duration. However, due to centralised control system in Poland, a controller, on the basis of existing risk-based national methodology, has the right to assess whether there is a need to perform the on-the-spot verification of the partner. Such decision on not to carry out on-the-spot PL controller shall duly describe in the control report. The on-the-spot verification shall be described in the document which shall be annexed to the control certificate and uploaded in JEMS.

The scope of on-the-spot verifications focuses in particular if the products and services co-financed have been delivered; if the partner maintains a separate accounting system or adequate accounting code for all transactions relating to the project without prejudice to national accounting rules (does not apply to SCOs); if visibility, transparency and communication requirements are correctly followed; if conditions for storing documentation have been met.

### **V. Documentation of management verification**

The controller shall document the administrative and on-the-spot verifications as well as decisions related to performed risk based management. The control certificate, control report shall be prepared for each partner report, it is filled in and issued directly in JEMS.

Other documentation prepared during the carried verifications (administrative and on-the-spot) should be kept in the controller's organisation and should be made available for any further checks performed by MA, AA or other authorised institutions.

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