**Methodology for selecting expenditures for verification**

**Financial year: 1 July 2023 – 30 June 2024**

# INTRODUCTION

*In accordance with the European Commission guidelines[[1]](#footnote-1), the Managing Authority* *(MA) decided to carry out risk-based management verifications. Risks are defined at two levels:*

1. *Selection of requests for payment for verification.*
2. *Selection of expenditures for selected requests for payment.*

*Requests for payment are selected by the FLC on the basis of the methodology for selecting requests for payment for verification.*

*Subsequently, for selected requests for payment, the FLC selects the expenditures based on the methodology described below.*

*For the purposes of the methodology* *for selecting expenditures for verification, the MA divided projects that are implemented in the South Baltic programmes into groups. The MA took into account factors such as the value of the projects, the settlement method (real expenditures, use of simplified cost options), the nature of the activities implemented. The methodology for selecting expenditures for the sample is different for each group. The MA allows for a random selection of expenditures only for certain groups of projects, in particular when these are homogeneous projects or groups of costs, e.g. in terms of value/nature.*

*Groups of projects identified by MA:*

1. *Regular projects,*
2. *Small projects (with limited financial value) outside the Small Project Fund (SPF) and seed money projects,*

The FLC uses the methodology described in this document.

# Methodology for selecting expenditures for verification for regular projects and small projects (projects with limited financial value, including seed money)

**Basic sample**

1. If real costs occur in the project, the FLC selects the basic sample comprising documents concerning a minimum of 10%[[2]](#footnote-2) of the value of the expenditures included in the request for payment (payment claim) and no less than 2 expenditures[[3]](#footnote-3).
2. The sample must contain minimum one expenditure in the sample from each budget category under which the expenditure was incurred.
3. The FLC samples the expenditures based on risk factors:

* expenditures with the highest value included in the request for payment,
* expenditures which raises a reasonable suspicion of fraud[[4]](#footnote-4).

1. If the project contains expenditure accounted for by:
2. flat rate(s) – all flat rates are checked[[5]](#footnote-5),
3. lump sums (agreed for programme) – a minimum of one lump sum is checked,
4. unit costs – at least 3 items (with the highest value) are checked from the list of expenditures[[6]](#footnote-6),

In the case of verifying the regularity of expenditures referred to in subparagraphs a) – c), the FLC verifies the settlement in accordance with the requirements of chapter 3.1.1 of the Guidelines and in accordance with the programme rules, if established[[7]](#footnote-7).

**Extended sample**

The FLC shall select an extended sample:

1. The FLC analyses the selected basic sample in order to assess whether the selected sample of expenditure will allow for reasonable assurance that the remaining expenditures included in the request for payment are free from deficiencies or irregularities. Reasonable assurance means assurance sufficient to conclude, on the basis of the sample tested, that the expenditure is free from deficiencies or irregularities; reasonable assurance does not mean absolute certainty.
2. The identification in the basic sample of deficiencies or irregularities likely to affect the assessment of the correctness and eligibility of the remaining expenditures in the request for payment shall result in extending of the sample.
3. The FLC decides on the selection and size of the extended sample based on its professional judgement.
4. The FLC can extend the basic sample using random schemes (e.g. systematic[[8]](#footnote-8), stratified[[9]](#footnote-9)) or perform the so-called haphazard selection for the cost category in which the FLC has identified infringements or a risk of infringements.
5. In specific cases, the FLC may extend the sample to 100% of the expenditure in a given cost category. The FLC justifies the 100% verification as the aforementioned verification should be treated as an exception and the FLC conducts it if the FLC identifies fraud or a high risk of irregularities and/or fraud in the remaining expenditures.

The sample selection is described and archived in the administrative verification file on a case-by-case basis. The sample of expenditure (basic and extended) is described in the checklist for verification of the request for payment.

1. Risk based management verifications Article 74(2) CPR 2021-2027 [↑](#footnote-ref-1)
2. Refers to expenditure included in the request for payment without taking account the expenditure subject to simplified cost options. With regard to expenditure accounted as simplified cost options, the FLC shall follow the requirements set out in paragraph 4(a)-(c). [↑](#footnote-ref-2)
3. Where a list of expenditures covers less than 2 expenditures, documents relating to all expenditures are checked. [↑](#footnote-ref-3)
4. [↑](#footnote-ref-4)
5. FLCs should check if a correct % of the flat rate has been applied. [↑](#footnote-ref-5)
6. Where unit costs are applied for personnel budget line, the FLC selects three items from the list of expenditure for verification, taking into account that they must refer to three different employees. [↑](#footnote-ref-6)
7. Only for Polish FLCs. [↑](#footnote-ref-7)
8. Among the first items in the list of expenditures, one item is drawn at random and then those items that are multiples of the *n* number are selected for verification. [↑](#footnote-ref-8)
9. The population is divided into layers, i.e. groups distinguished by a specific, well-defined characteristic (e.g. budget categories). The items to be sampled are then drawn separately from each layer. [↑](#footnote-ref-9)