**Methodology for selecting expenditures for verification**

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

# **INTRODUCTION**

*In accordance with the European Commission guidelines[[1]](#footnote-2), 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 Poland-Slovakia programme 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, LIPs and small projects (projects with limited financial value, including seed money)**

**Basic sample**

**Method of selecting the 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-3) of the value of the expenditures included in the request for payment (payment claim) and no less than 2 expenditures[[3]](#footnote-4).
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-5),
* expenditures which may suggest the occurrence of selected infringements gathered in Annex no. 5 to the Guidelines, *Most frequently found infringements of the competition rule*., e.g. expenditure suggesting that the contract was divided into parts, expenditures of the value just below PLN 50 000 net, which may suggest underestimation of the contract value[[5]](#footnote-6).

1. If the project contains expenditure accounted for by:
2. flat rate(s) – all flat rates are checked,
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-7),

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.

1. If, as part of the selection of a sample of expenditure in accordance with paragraphs 1 to 3, the FLC selects expenditure concerning a contract with an estimated value equal to or higher than PLN 50 000 net and lower than PLN 130 000 net, the NC verifies the correctness of the selection of the contractor in accordance with the competition rule[[7]](#footnote-8).
2. The FLC selects the expenditures in accordance with the criteria set out in paragraph I irrespective of whether they relate to procedures awarded under the PPL ACT or under the competition rule:
3. if the selected expenditure relates to the contract referred to in paragraph 5, the NC proceeds as indicated in paragraph 5;
4. if the selected expenditure relates to the contract awarded under the PPL Act or a contract with a value equal to or greater than PLN 130 000 net, the NC verifies the document but does not verify the correctness of the public procurement procedure[[8]](#footnote-9). The NC verifies the procedure on the basis of separate document, i.e. the Methodology for the selection of public procurement procedures for ex-post controls and the competition rule, if the analysis shows that the procedure is risky[[9]](#footnote-10).

**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[[10]](#footnote-11), stratified[[11]](#footnote-12)) or perform the so-called haphazard selection for the cost category in which the NC 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 NC justifies the 100% verification as the aforementioned verification should be treated as an exception and the NC conducts it if the NC 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-2)
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 NC shall follow the requirements set out in paragraph 4(a)-(c). [↑](#footnote-ref-3)
3. Where a list of expenditures covers less than 2 expenditures, documents relating to all expenditures are checked. [↑](#footnote-ref-4)
4. For Polish FLCs: particularly concerning corresponding cases as collected by the FLC in Annexes 18 and 19 to the Guidelines. [↑](#footnote-ref-5)
5. Only for Polish FLCs. [↑](#footnote-ref-6)
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-7)
7. Only for Polish FLCs. [↑](#footnote-ref-8)
8. NOTE: The FLC is required to verify all invoices relating to public procurement on which a a financial correction was imposed, to check whether the expenditures have been reduced by the amount of the correction by the beneficiary. [↑](#footnote-ref-9)
9. Only for Polish FLCs. [↑](#footnote-ref-10)
10. 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-11)
11. 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-12)