

Fund	Risk Description	Impact	Likelihood	Target Rating (based on impact and likelihood)	Controls in place	Update May 2018	Impact	Likelihood	Target Rating (based on impact and likelihood)
ESF (YEI)	Expenditure may not meet with N+3 target and consequently, the value of the programme may be reduced. Previously a single risk: Pace of delivery of Programme outcomes not maintained due to operations not being approved, contracted or delivered, including affecting N+3	4	5	20	Regular monitoring of progress of Operations against claims schedules agreed for each operation and project.	Committed operations are close to £53m with no more approvals possible. Regular portfolio management meetings continue with lead partners to challenge progress Exchange rate fluctuations mean that target is higher (in £) than in 2014. As a result of reduced demand, reductions in approved projects and changes in the exchange rate. Given the amount now committed (~€60 million) it is almost certain that expenditure will not reach the Performance Framework or N+3 targets in 2018.	5	5	25
ESF (YEI)	YEI performance is under pressure, with only 2/3 of funding committed, and significant changes in labour market. Failure to adapt programmes to such changes, in YEI and in the rest of the programmes, could undermine long-term performance.	3	5	15	JPMC monitoring already includes assessing performance against macro-economic and environmental changes, as well as assessing results on an ongoing rather than ex post basis. YEI Territorial Committee should be convened urgently to assess what more can be done to improve and shore up performance of existing operations. Commission confirmed that under-committed/underspent funds cannot be reassigned at this stage.	MA and YEI Territorial Committee have continued to monitor the performance of the YEI funded programmes. Labour market conditions have changed significantly since the original approvals, leading to reduced demand. Expenditure to date under the YEI priority remains low. To the end of 2017, between YEI and matching ESF, slightly over €3 million was declared against a N+3 target of over €31 million, causing the decommitment in both the YEI and wider ESF allocation for the rest of Scotland. Performance against programme targets remains stronger than compared to expenditure targets.	4	5	20
ERDF ESF	Errors and behaviours found in 2007-2013 Programme may continue into new Operations impacting on programme delivery or quality	4	4	16	New MCS published and made available to all staff, training in the procedures and behaviours expected provided to all staff and lead partners. System Audits carried out in September - November 2016 and findings in discussion with AA. Findings to be used to inform staff training. Regular monitoring of progress and relationships by weekly senior management meeting (joint MA and AA), oversight by Joint Programme Board and training/ sharing of knowledge between AA and MA	Weekly programme management meetings continued along with monthly Joint Programme Board. In addition to this, the MA has introduced an internal six-weekly Programme Operation Management Meeting which reviews the status of the programme and identifies key issues. Evidence to date through claims and pre-payment checks indicates that the quality of information being provided is disappointing and often requiring clarification before payments can be made. In particular, lead partners are having difficulty demonstrating that participants or recipients are eligible, which has been added to MA checks based on EC focus on outcomes. Checks to date imply that not all lead partners have not fully taken responsibility for ensuring appropriate evidence is available. MA has established dedicated procurement team and results to date are that lead partners are carrying out procurement processes better than in previous programmes. As with expenditure and activity checks, work is required to get all the supporting documents. Lead partners also well informed on the recent update to the procurement regulations. The Article 125 stage 2 checks have been piloted, and the MA is reviewing the process and template reports. The MA has now identified the first phase of visits, along with a comprehensive control document and selection methodology.	4	5	20
ERDF ESF	Pace of delivery of Programme outcomes not maintained due to operations not being approved, contracted or delivered. (Excluding YEI)	3	3	9	Increased frequency of ERDF and ESF MAAP meetings to increase scrutiny. Planning for future operations is taking into account delivery to date and range of activity required to meet programme targets. Regular monitoring of progress of Operations against claims schedules agreed for each operation and project.	Committed operations exceed £336m (excl YEI) in line with planning for phase 1. Regular portfolio management meetings continue with lead partners to challenge progress The invitation for second phase of operations has been issued, no new or extended operations have been approved to date and discussions are ongoing with lead partners on the demand for additional funds.	5	4	20
ERDF ESF	Pressure on public spending and exchange rates may lead to decrease in available match funding and co-financing, putting at risk the delivery of programme and national outcome targets over the long term	4	3	12	Monitoring of all programmes both annually for official reporting and ongoing with scheme, delivery and financial colleagues. Ongoing monitoring will lead to modifications of the Programmes where required, including to co-financing and match funding rates. Early review and changes to OP, and plans for phase 2 are based on increasing intervention rates.	On-going application process is based on the increased intervention rates agreed with the Commission as part of the changes to the OP. Initial discussions with lead partners have confirmed that match funding is a major concern, however it is too early to confirm if further action will need to be considered. Based on current and projected exchange rates, delivery to date, and discussions with lead partners, the MA will consult with SG colleagues and Ministers and will consider appropriate levels of commitment to maximise funding allocation and grant recovered from the programme	4	4	16
ERDF ESF	Expenditure may not meet with N+3 target and consequently, the value of the programme may be reduced. (Excluding YEI)	3	3	9	Increased frequency of ERDF and ESF MAAP meetings to increase scrutiny. Regular monitoring of progress of Operations against claims schedules agreed for each operation and project.	Committed operations exceed £343m (excl YEI) in line with planning for phase 1. Regular portfolio management meetings continue with lead partners to challenge progress Both the ESF and ERDF programmes were subject to a decommitment, even excluding YEI, of over €5.2 million. 2018 targets remain challenging. MA has identified issues with the submission of claims and provision of evidence to support claims which have led to lower than required levels of claims submitted or paid. Alongside previous changes, MA has provided further clarification where questions have been asked over guidance and scheduled a series of lead partner events to improve communication with lead partners	4	4	16
ERDF ESF	The Management and Control System agreed with the Commission may not be implemented properly by the MA/CA/AA.				Weekly programme management meetings continued along with monthly Joint Programme Board. In addition to this, the MA has introduced an internal six-weekly Programme Operation Management Meeting which reviews the status of the programme and identifies key issues, attended by AA as observer. MA has introduced a dedicated Quality Control Team with responsibility for ensuring the implementation and review of processes relating to the MCS.	As a result of the adverse findings of the AA's audits carried out last year, the Commission notified the MA that the programmes have been interrupted. The MA is working with the AA to resolve the issues identified and has reviewed and revised the MCS, including internal processes and systems, to minimise the risk of future issues arising. The second phase of the Commission visit, following the initial visit in Sep 2017, is still to take place. The MA is carrying out a gap analysis to ensure all areas of concern are addressed.	4	4	16
ERDF ESF	Expenditure or indicator targets may not be met in the Highlands and Islands area (Transition Programme area)	4	3	12	Operations are identified at programme area level, so MA is able to monitor and review progress at operation level and manage emerging risks. HITC meets regularly to consider H&I specific issues which are emerging.	On-going application process is based on the increased intervention rates agreed with the Commission as part of the changes to the OP. Initial discussions with lead partners have confirmed that commitment levels in H&I area is a concern; first SI to offer increased intervention rates (Transport Scotland) have been able to commit previously uncommitted funds as a result, however it is too early to confirm if further action will need to be considered.	4	3	12
ERDF ESF	Brexit has raised a number of uncertainties around timescales, match funding availability, and resource commitments and stability (staffing), both for SG and lead partners. Currency fluctuation means there is limited certainty around the value of programmes and commitments, although this now appears to be stabilising.	4	5	20	The current HM Treasury's guarantees cover all payments of contracts for EU structural funds projects that are entered into before the UK leaves the EU – even if the payments extend beyond the date of Brexit. The joint report published by the EU and UK on phase 1 on the negotiations on 8 December 2017, outlined an agreed proposed methodology for calculating the financial settlement. It confirms that the UK will continue to contribute and participate in the implementation of the EU annual budgets up to 2020 as if it was still in the EU. No guarantees for projects or proposals that might come forward after the UK leaves the EU. SG will continue to engage with HM Treasury and UK Ministers to get clarity on longer term funding arrangements Scottish ministers committed to negotiations with UKG on future policy and funding on areas currently supported.	There remains limited clarity on the detail of post-2014-2020 arrangements, however should formal agreement be reached on the phase 1 report as part of the overall Withdrawal Agreement, we anticipate that Scotland will continue to benefit from programmes and funding covered by the Multi-annual Financial Framework as it would if the UK continued to be a Member State, limiting the risk to the programme. The potential for issues over stability and compliance as the UK leaves the EU and the details of the post-Brexit arrangements for the programme remain a potential risk	2	5	10
ERDF ESF	Changes to process or miscommunication among partners which could lead to delays in implementation or lack of interest in applying from stakeholders.	3	2	6	MA is holding regular events with lead partners and issuing a quarterly newsletter to stakeholders.	While the main points of the guidance issued to partners are unchanged, it is noted that some partners have had issues understanding or reacting to changes and that improved clarity is required. Guidance to sponsors is being actively reviewed by the MA (e.g. participant guidance has been reissued) and events have been organised to improve communication and minimise misunderstandings.	3	2	6

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ESF	Lack of participation from smaller organisations might hollow out delivery capacity in Scotland, particularly for social inclusion and employability measures	3	1	3	Monitoring at an operational level. A number of Lead Partners actively engaging smaller community and voluntary organisations and supporting applications and tenders. Evidence is currently mixed. Consideration of whether additional support is required for community and third sector organisations.	Level of application for many third sector funding calls heavily oversubscribed indicating limited evidence of problem. Issue being kept under review. TA proposal being considered.	3	1	3
ERDF ESF	IT systems do not have full functionality, affecting reporting, payments and monitoring	3	1	3	EUMIS is operational and its progress is being monitored by a dedicated IT Project Board. A contract is in place for "post-release" system support. AA has provided a category 1 level of assurance on EUMIS, which is now operational and meets eCohesion requirements.	IT system remains live and functional with no issues affecting reporting, payment or monitoring. An exercise to identify improvements has been concluded, including an issue limiting the reporting of ESF immediate results that has been identified which should not limit the submission of claims, which has been agreed by IT board and in development. These improvements are being costed and prioritised and IT board meetings are taking place to agree changes and cost impact.	3	1	3
ERDF ESF	Review of programmes might impact negatively on delivery momentum, particularly where private sector investment is involved or delivery stability is required to deliver long-term outcomes.	2	1	2	Discussion of scope of review of ERDF and ESF with JPMC. Scope does not re-open programme architecture, an area which would be likely to cause delays. Steering group to be established to help lead review, specific role in ensuring funding is committed and secured for Scotland.	Removed as changes approved by EC			