3. Informations- und Schulungsseminar
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**Second Level Control - Audits on Projects**

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AUDITS ON PROJECTS

The Audit Authority (AA), supported by the Group of Auditors (GoA),

• ensures that audits are carried out on an appropriate sample,
• ensures that the audit work is performed on the basis of an audit strategy,
• entrusts the performance of the audit work to an external audit firm.

For a selected project, the LP as well as one or more PPs are audited.
AUDITS ON PROJECTS

During an audit, the following is analysed:

- Existence of the project;
- Compliance with obligations set in the subsidy contract and partnership agreement;
- Eligibility of expenditure;
- Actual payment of expenditure;
- Compliance with EU and national rules (including public procurement);
- Existence and soundness of the audit trail;
- Review of the control work carried out by the national controller.
# THE PROCESS FOR AUDITS ON PROJECTS

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- **Step 1**: Auditors’ e-mail to LP/PP to plan audit visit
- **Step 2**: Contradictory procedure
- **Step 3**: FAR sent to LP/PP/NC
- **Step 4**: Corrective measures / Recovery Letter sent to LP/PP/NC
The Audit Authority takes the sample of projects to be audited on a random basis.

The sample together with the explanatory note is then communicated to the MA/JS.
On the basis of the sample communicated by the AA, the MA/JS send out an *introduction e-mail* to LP/PP to announce the audit visit by the auditors.

Such communication:

- copies National Controller (NC), GoA Member, Lead Partner (in case of PP)
- reminds the audited LP/PP about the *duties* (e.g. relevant project documentation available, responsible persons present during the audit, etc.)
- informs the LP/PP that it will be further contacted by auditors to agree on the *date of the audit* and to be given more information.
THE PROCESS FOR AUDITS ON PROJECTS

- The on-the-spot audit visit usually takes place in one or two days at the premises of the relevant LP/PP.

- Even if the audit visit runs smoothly and no findings are detected on-the-spot, this does NOT prevent or exclude that findings may be later included in the Draft Audit Report.

- The MA/JS encourage NC participation in audit visits in order to provide support to LP/PP.
THE PROCESS FOR AUDITS ON PROJECTS

- Once the on-the-spot audit visit is completed, the Draft Audit Report (DAR) is drawn up by the auditors, checked by the AA and the MA/JS and can be commented by the GoA member.

- The MA/JS initiates the contradictory procedure (via e-mail) involving the audited LP/PP, LP (in case of PP) and NC and providing a deadline within which all answers shall be received.

- Once the contradictory procedure is finalized, the MA/JS consolidates the answers and sends them out to the AA.
Once contradictory procedure is finalized, the Final Audit report (FAR) is prepared based on comments put forward by LP/PP, NC and MA/JS.

FAR is provided to the MA/JS that send it to relevant LP/PP copying NC, LP (in case of PP) and the relevant GoA member.
In case of findings included in FAR, the MA/JS take the relevant **corrective** and **follow-up** measures.

- If finding is **formal** - MA/JS checks that LP/PP/NC take remedial action.
- If finding is **financial** - MA/JS launch the relevant procedure to withdraw or recover the ineligible amount:
  - If project is **still running** - a Financial Correction is done.
  - If project is **closed** - a Recovery Letter is sent out.
- If **financial finding is systemic** - MA/JS ask NC to take corrective measures.
PAST FINDINGS FROM AUDITS ON PROJECTS

**LP/PPs**
- Public procurement issues (e.g. not sufficiently documented, contract not sufficiently detailed, etc.).
- Errors in the calculation of staff costs.
- Lack of supporting documents.
- Costs not project relevant.
- Inclusion of ineligible expenditure e.g. Alcohol.
- No posting of expenditures in the separate accounting system.

**National Controllers**
- Incorrect annulling procedure/stamp.
- Lack of check of proof of payment.
- Lack of check concerning immediate transfer of ERDF payments from LP to PP.
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