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 3. Informations- und Schulungsseminar
Stuttgart | 25 Oktober 2018

 **Second Level Control - Audits on Projects**

 Interreg CENTRAL EUROPE | Joint Secretariat | Alexandra Kulmer

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.



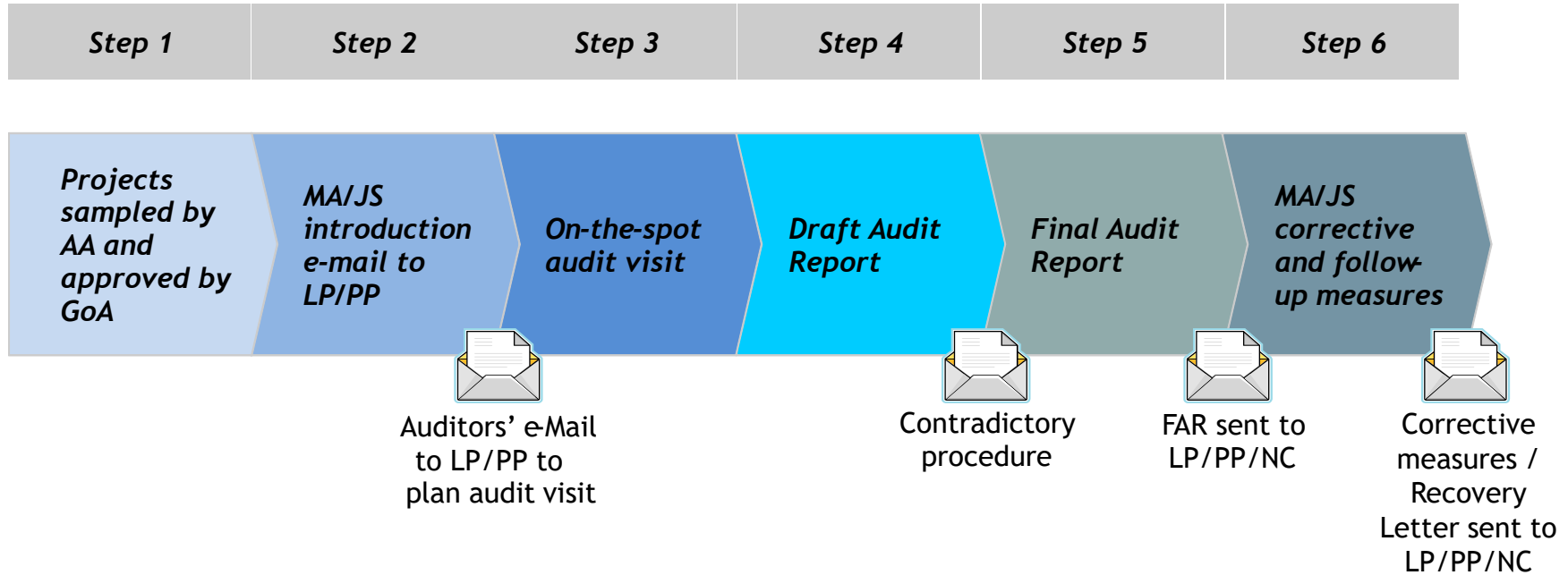
AUDITS ON PROJECTS

During an audit, the following is analysed:

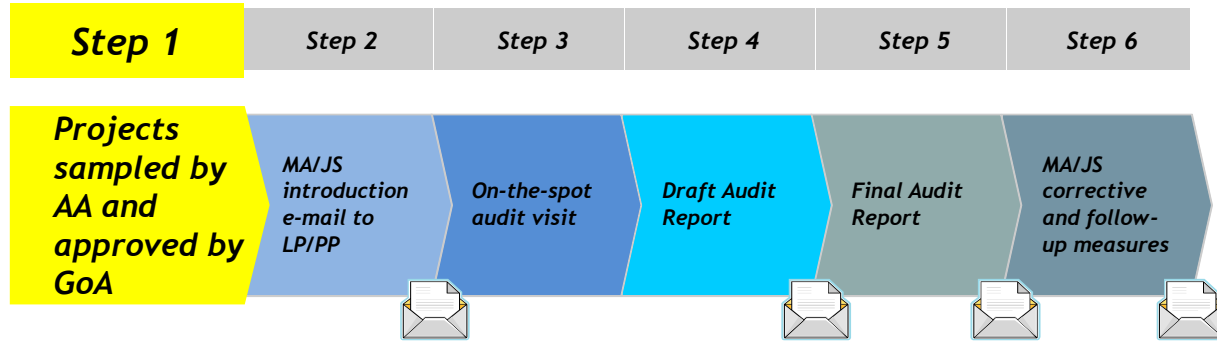
- Existence of the project;
- Compliance with obligations set in the subsidy contract and partnership agreement;
- Eligibility of expenditure;
- Actual payment of expenditure;
- Compliance with EU and national rules (including public procurement);
- Existence and soundness of the audit trail;
- Review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



THE PROCESS FOR AUDITS ON PROJECTS



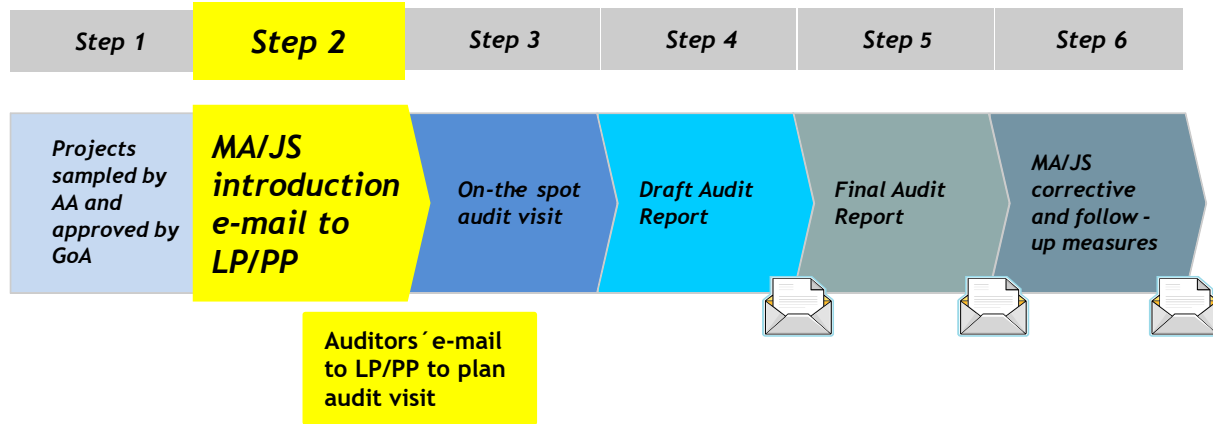
THE PROCESS FOR AUDITS ON PROJECTS



- 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.



THE PROCESS FOR AUDITS ON PROJECTS



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.

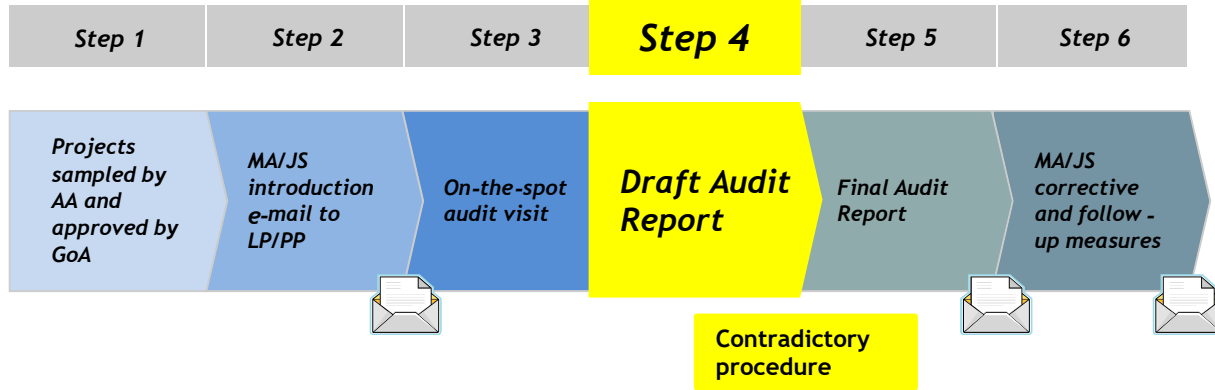
THE PROCESS FOR AUDITS ON PROJECTS



- 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.



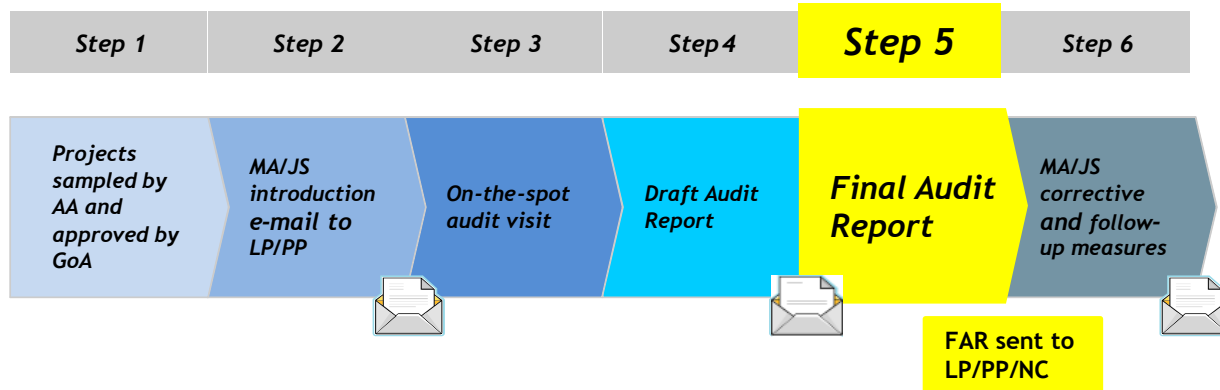
THE PROCESS FOR AUDITS ON PROJECTS



- 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.



THE PROCESS FOR AUDITS ON PROJECTS



- 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.



THE PROCESS FOR AUDITS ON PROJECTS



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.



CONTACT

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