4. Informations- und Schulungsseminar
Stuttgart I 17 Oktober 2019

Second Level Control - Audits on Projects

Interreg CENTRAL EUROPE I Joint Secretariat I 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

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<td>Projects sampled by AA and approved by GoA</td>
<td>MA/JS introduction e-mail to LP/PP</td>
<td>On-the-spot audit visit</td>
<td>Draft Audit Report</td>
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- **Step 1**: Projects sampled by AA and approved by GoA
- **Step 2**: MA/JS introduction e-mail to LP/PP
- **Step 3**: On-the-spot audit visit
- **Step 4**: Draft Audit Report
- **Step 5**: Final Audit Report
- **Step 6**: MA/JS corrective and follow-up measures

- Auditors’ e-Mail to LP/PP to plan audit visit
- Contradictory procedure
- FAR sent to LP/PP/NC
- 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.

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- 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.

- **If a prolognation of the deadline is needed, please inform the MA/JS in due time.**

- 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.
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.
FINDINGS FROM AUDITS ON PROJECTS

Specific Budget Lines

✓ **BL1 Staff costs:**
  ✓ Lack of *supporting documents* (e.g. assignment document for fixed percentage)
  ✓ Costs *before the project start date*
  ✓ *Salary corrections* not taking into consideration

✓ **BL2 Office and administrative Costs** covered by the flat rate reported under another BL (e.g. office supplies for workshops, postal service, etc.)

✓ **BL5 Depreciation of office equipment** not correctly calculated (calculated based on the project duration and not according to national accountancy rules)
FINDINGS FROM AUDITS ON PROJECTS

General eligibility requirements
- Costs **not covered by an invoice**
- Costs **not project relevant**
- Inclusion of *ineligible expenditure* e.g. alcohol, unused travel tickets, etc.
- **Publicity requirements** not respected (e.g. project logo not visible)
- **Public procurement** issues (e.g. not sufficiently documented, not sufficiently detailed, etc.)

National Controllers verifications
- Incorrect *annulling procedure/stamp*
- Lack of check of *proof of payment*
- Lack of check concerning *immediate transfer of ERDF payments* from LP to PP
- Lack of check of the *co-financing source* in section D of the Partner Report
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