

Financial Manager Seminar
31 March 2009, Brussels

Audit Trail, Second Level Control



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Control Systems

Self-control	Final beneficiary
First Level Control	Member States
MA quality controls	Managing Authority and CU
Certification toward EC	Certifying Authority
Second level control	Audit Authority and External Auditor
EC audits	European Commission
Court of Auditors audit	EU Court of Auditor

Audit Trail (1)

An adequate Audit trail shall allow:

- the aggregation of amounts certified to the Commission to be reconciled with the detailed accounting records and supporting documents held by the different bodies involved in the procedure (from the beneficiaries up to the CA)
- the verification of payment of the correct public contribution to the beneficiary;
- the verification of application of the selection criteria established by the monitoring committee for the operational programme;
- follow-up for each operation the technical specifications and financing plan, documents concerning the grant approval, documents relating to public procurement procedures, progress reports and reports on verifications and audits carried out

N.B. Documents have to be made available at least until 2020!

Audit Trail (2)

- Documents to be stored (list not exhaustive):
 - Approved Application Form;
 - Subsidy Contract;
 - Partnership Agreement(s);
 - Relevant project correspondence (financial and contractual) ;
 - Project/Partner Progress Reports;
 - Control certificates, control checklists and control reports;
 - Bank account statements proving the reception and the transfer of Programme funds;
 - Invoices/receipts;
 - Bank account statements / proof of payment for each invoice and or cost declared;

Audit Trail (3)

- Staff costs: calculation of hourly rates, information on actual annual working hours, labour contracts, payroll documents and time sheets of personnel working for the project;
- List of subcontracts and copies of all contracts with external experts and/or service providers;
- Calculation of administrative costs, proof and records of costs included in overheads;
- Documents relating to all steps of public procurements: information and publicity; public procurement note, terms of reference, offers/quotes, order form, contract;
- Proof for delivery of services and goods: studies, brochures, newsletters, minutes of meetings, translated letters, participants' lists, travel tickets, etc.;
- Records of assets, physical availability of equipment purchased in the context of the project;

Second Level Audit

Audit Body:

- Audit Authority supported by the Group of Auditors (GoA)

Audit implemented by and external audit firm (Ernst & Young)

Audit team:

- 2 auditors of the external firm
- The national member of the GoA

Audit of operations (1)

Conditions:

- Operations selected on sample basis
- Carried out each twelve month period from 1 January 2010

Procedure:

- Sample approved December of year n for audits to be carried out as from January of the year n+1
- Selected projects and partners will be informed during January
- Audit to be carried out until end of March
- In principle the LP and 1 randomly selected partner involved for each project
- Information in advance, clear and complete communication to the LP/PP selected – documents, participants, dates, visits on the spot – contradictory procedure

Audit of operations (2)

Attention!

Audit on operations are different from the on-the-spot checks carried out by the MA.

Audit of operations (3)

Focus on:

- The compliance with Community and national rules, in particular public procurement
- The respect of the selection criteria for the operational programme for the operation under discussion and the implementation of the operation in accordance with the approval decision;
- The correspondence of the expenditures declared by the beneficiary to the accounting records and supporting documents held by the beneficiary;
- The payment to the final beneficiary of the public contribution