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4. Informations- und Schulungsseminar  
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## 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.

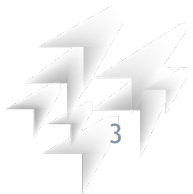
For a selected project, the LP as well as one or more PPs are audited.



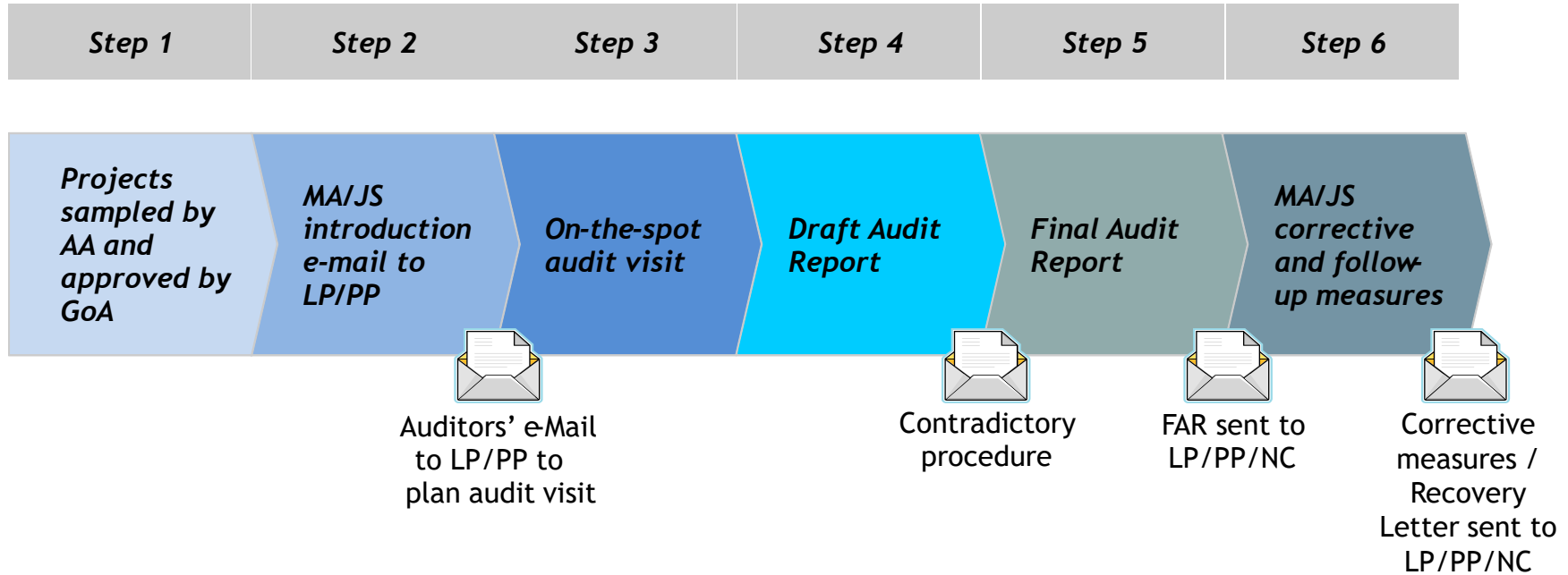
# AUDITS ON PROJECTS

During an audit, the following is analysed:

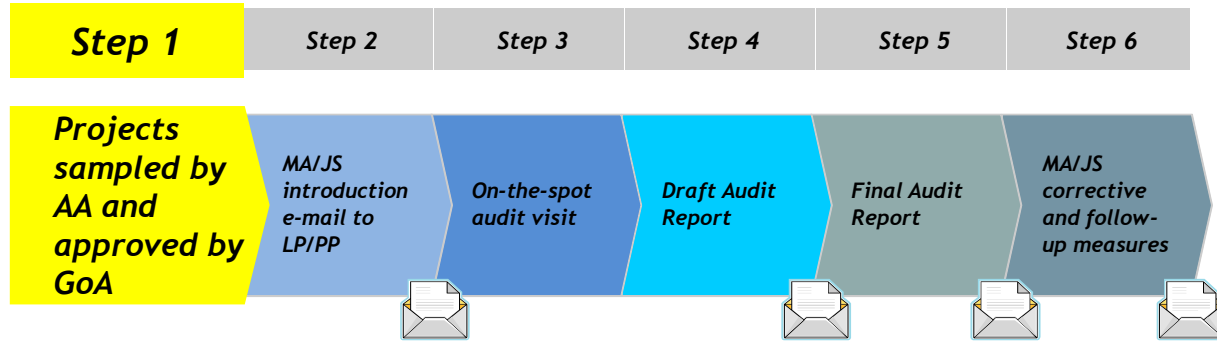
- Existence of the project;
- Compliance with obligations set in the subsidy contract and partnership agreement;
- Eligibility of expenditure;
- Actual payment of expenditure;
- Compliance with EU and national rules (including public procurement);
- Existence and soundness of the audit trail;
- Review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



# THE PROCESS FOR AUDITS ON PROJECTS



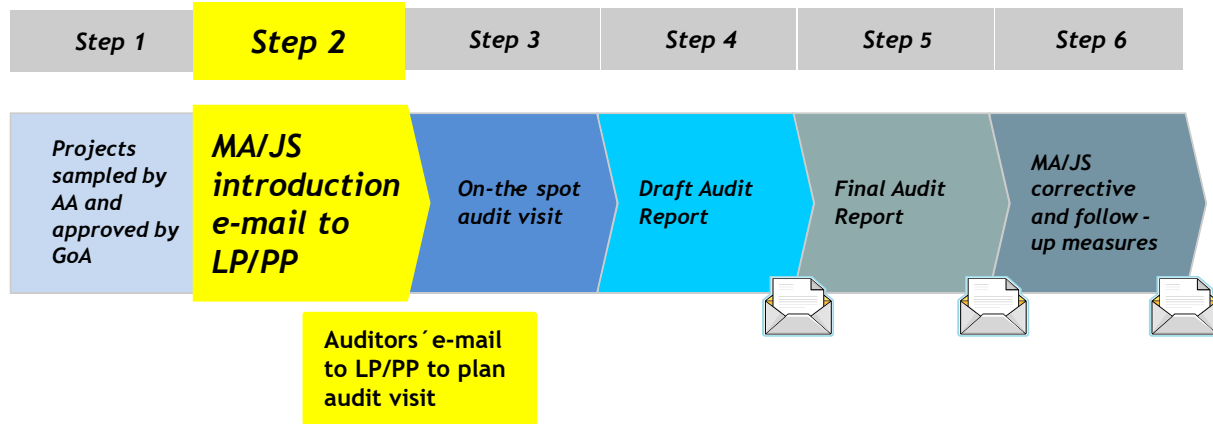
# THE PROCESS FOR AUDITS ON PROJECTS



- 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.

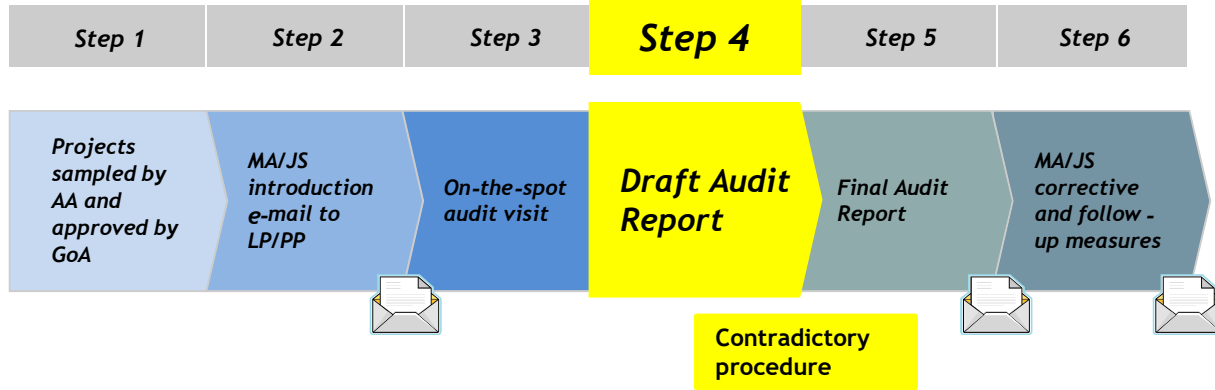
# THE PROCESS FOR AUDITS ON PROJECTS



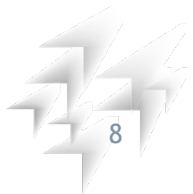
- The on-the-spot audit visit usually takes place in one or two days at the premises of the relevant LP/PP.
- Even if the audit visit runs smoothly and no findings are detected on-the-spot, **this does NOT prevent or exclude that findings may be later included in the Draft Audit Report.**
- The MA/JS **encourage NC participation in audit visits** in order to provide support to LP/PP.



# THE PROCESS FOR AUDITS ON PROJECTS

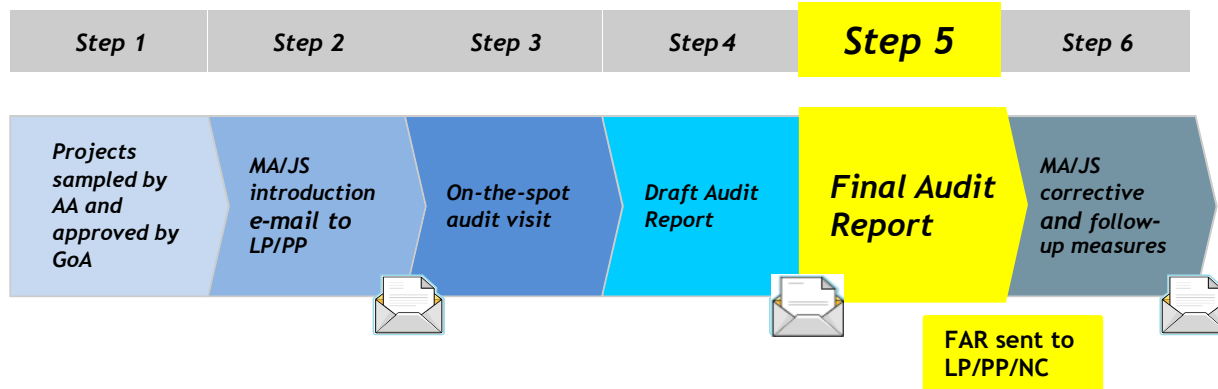


- Once the on-the-spot audit visit is completed, the [Draft Audit Report \(DAR\)](#) is drawn up by the auditors, checked by the AA and the MA/JS and can be commented by the GoA member.
- The MA/JS initiates the [contradictory procedure](#) (via e-mail) involving the audited LP/PP, LP (in case of PP) and NC and providing a [deadline](#) within which all answers shall be received.
- [If a prologation 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.





# 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.

# 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



# CONTACT

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