



# Webinar on Audit Information for Beneficiaries of Civil Protection Grants

DG ECHO External Audit Sector (DG ECHO E.2)

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# The objectives of this Info-Session

- Familiarise with the audit process
- Understand what you could expect from the auditors
- Understand what the auditors expect from you
- Understand the most common errors detected in previous audits

# DG ECHO Audit Info Paper



- Main reference document
- Distributed by DG ECHO operational units via e-mail or other channels to stakeholders and beneficiaries of Civil Protection Grants

# What is a DG ECHO Civil Protection Audit?

Objectives & Legal Basis

# Objective of DG ECHO Civil Protection Audits

The objective of an ECHO audit is to enable the auditor to express an opinion as to whether:

1. The funds have been used in accordance with the **applicable legislation** and the **terms and conditions of grant agreements**, and
2. The funds have been used for their **intended purpose**.
3. To provide **assurance** about the **legality** and **regularity** of the expenditure paid by the Commission (error rate for Annual Activity report)

# Legal Basis

Article 27.1 of the General Conditions (mono beneficiary grant agreements)

Article 17.3 of the General Conditions (multi beneficiary grant agreement)

- Checks or audits made by the Commission's own staff or by other external body authorised by the Commission.
- **During the implementation of the Agreement or during a 5 years period starting from the date of the balance payment.** (3 years if grant  $\leq$  EUR 60 000).

# DG ECHO Audit Strategy 2021-2027

Types of Audits foreseen & Audit Planning cycle

# Types of Audits

## Random-based financial audit

- Comprise checks of legality and regularity of declared expenditure (finalised projects).
- Beneficiaries are randomly selected.
- 10 – 15 grants per year (closed in year N-1)

## Risk-based financial audit

- Comprise checks of legality and regularity of declared expenditure (finalised projects).
- Beneficiaries are selected based on risk, whereby several criteria are taken into account: legality and regularity (high error rate), level of operational risks, action management irregularities, risk of fraud, etc.
- On a needs basis

## Desk reviews

- Follow up of critical recommendations

# Audit Planning Cycle

DG ECHO External Audit Sector strives to prepare the audit plan for year N in the first quarter of the year N as follows:

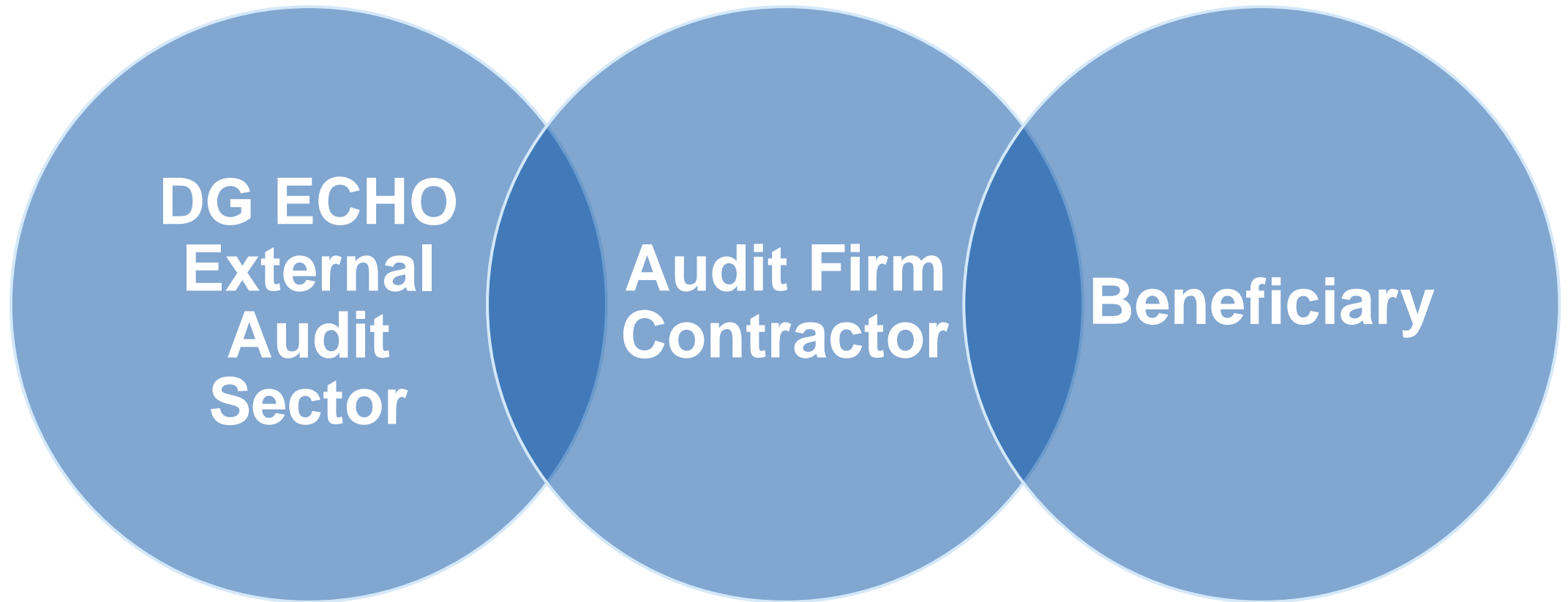


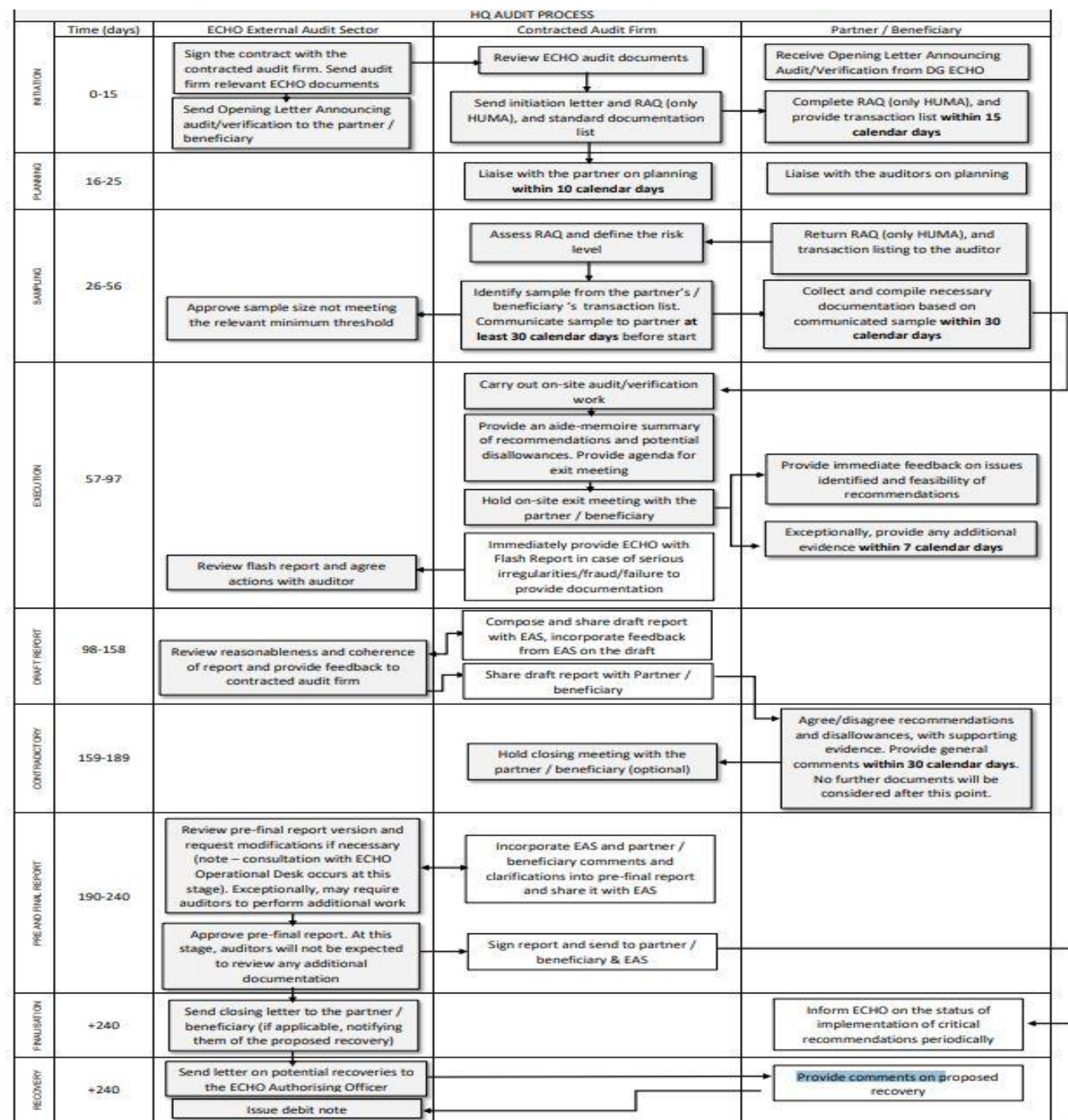
(\*) *Indicative Timeline*

# How is the Audit Process?

The Audit Process Flowchart

# Main Actors in the Audit Process



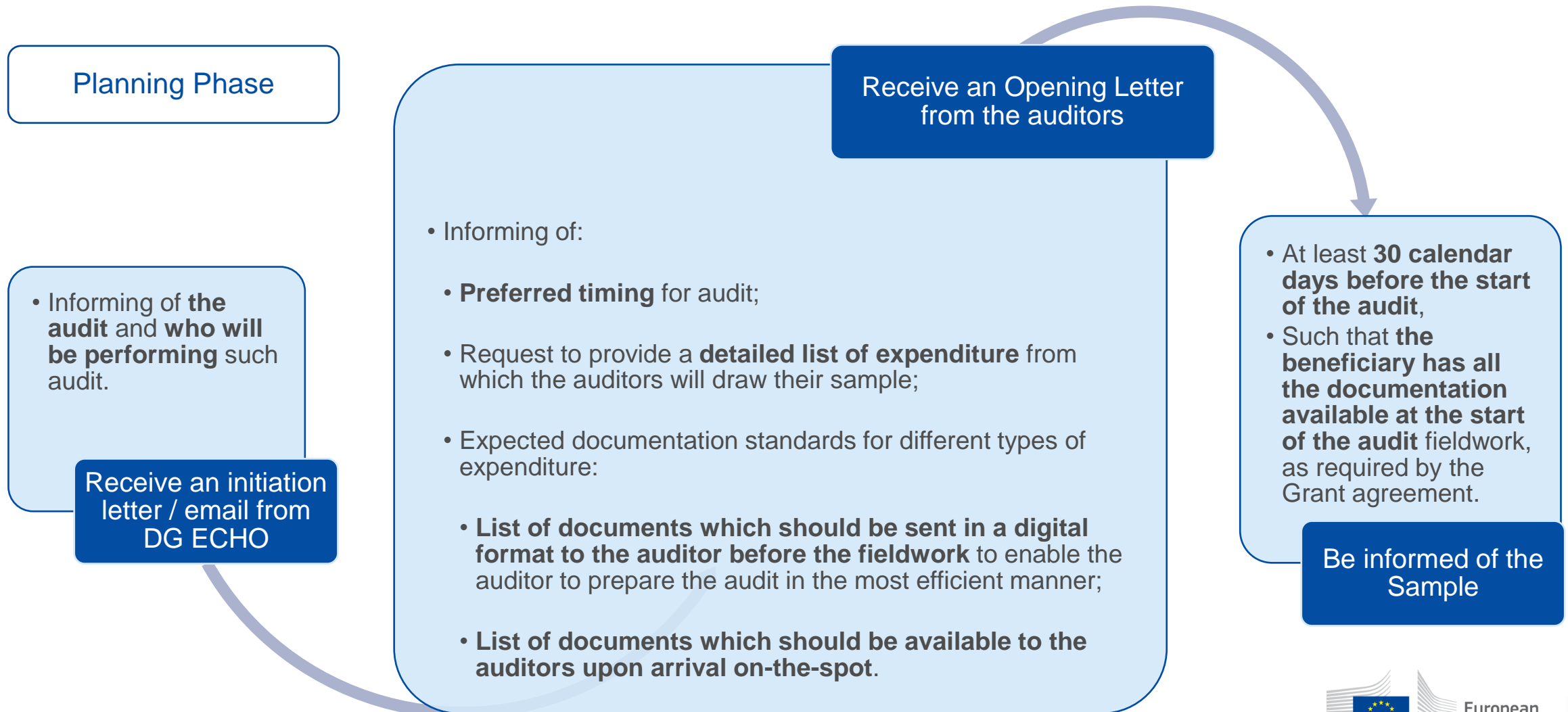


# Audit process flowchart

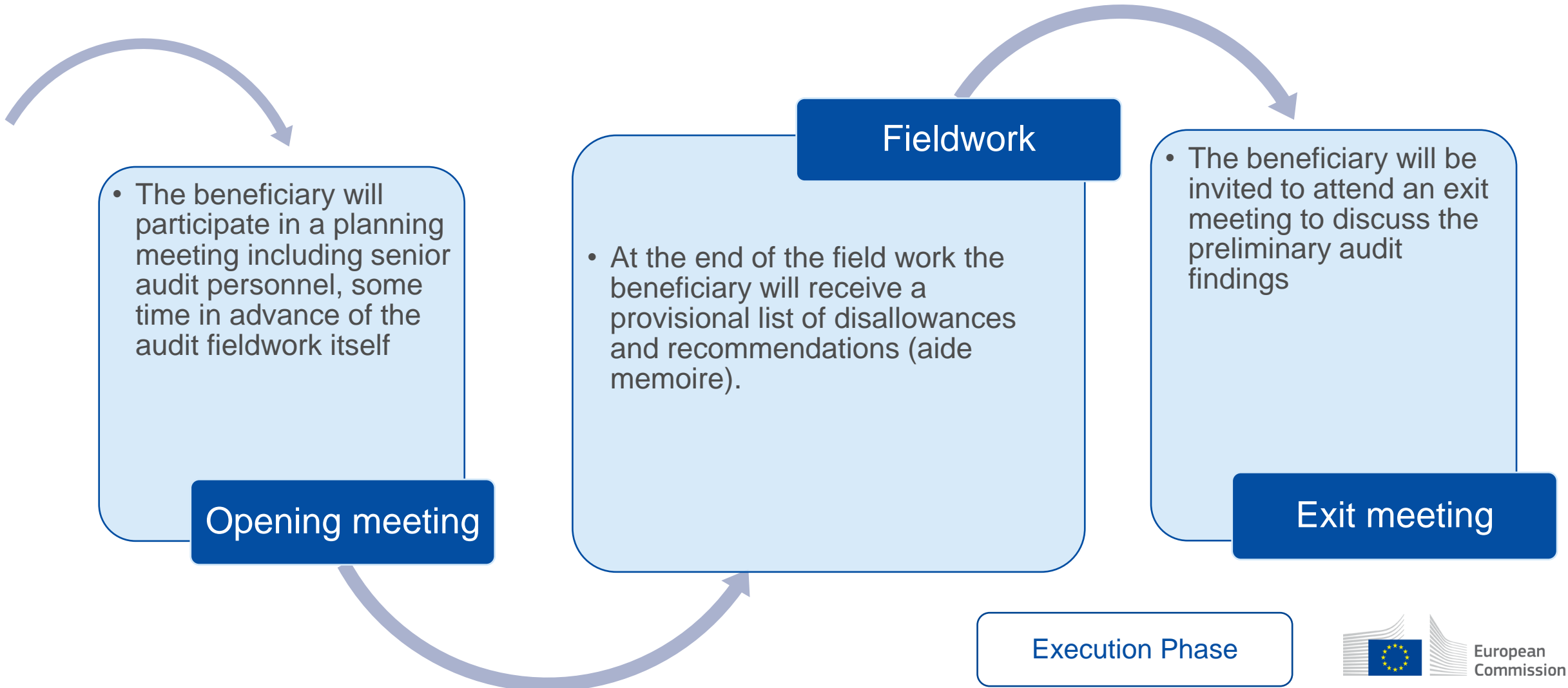
# Let's talk about expectations

What beneficiary should expect from the auditor  
& what the auditor expects from the beneficiary

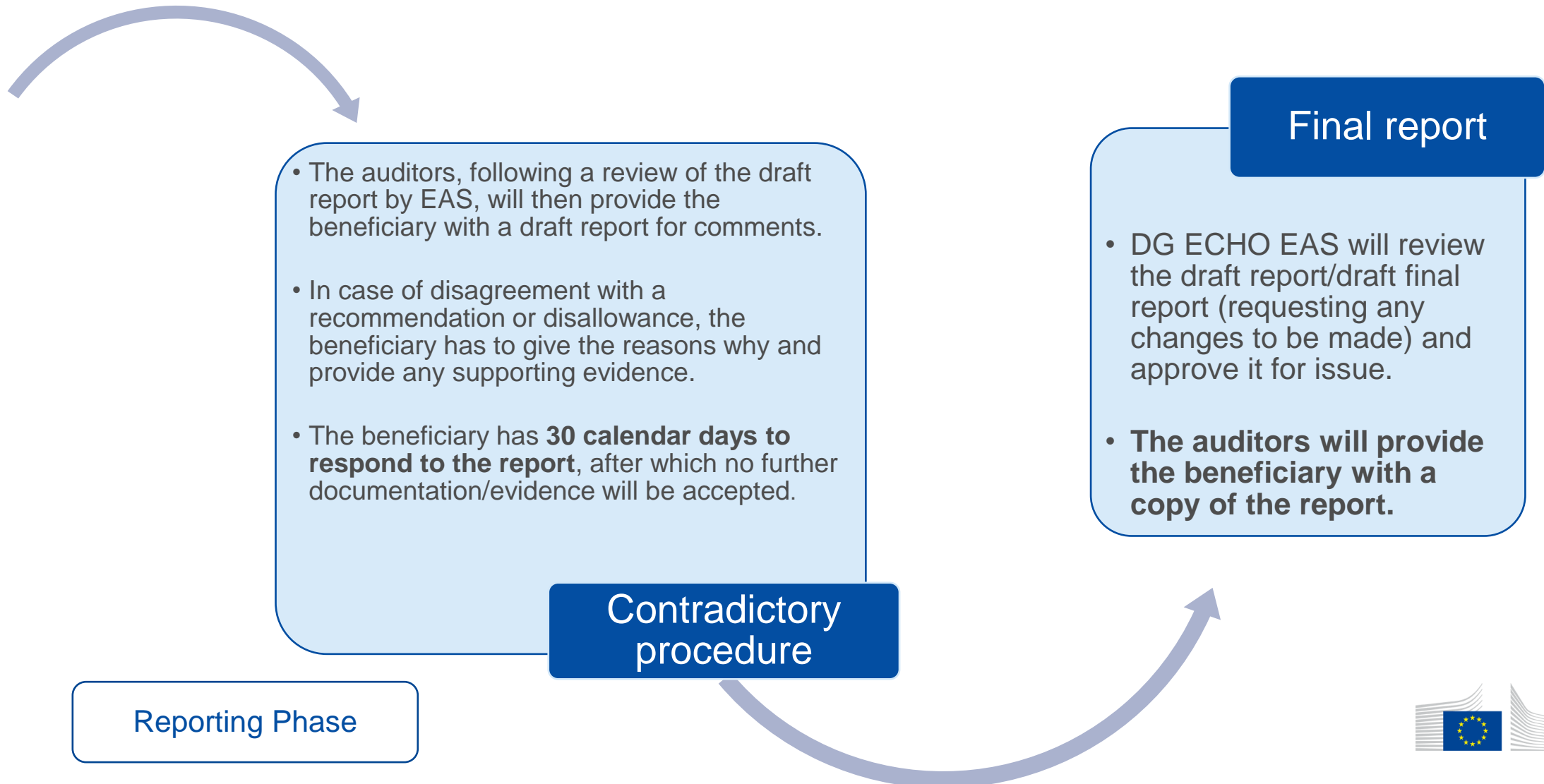
# What you should expect from the auditors



# What you should expect from the auditors



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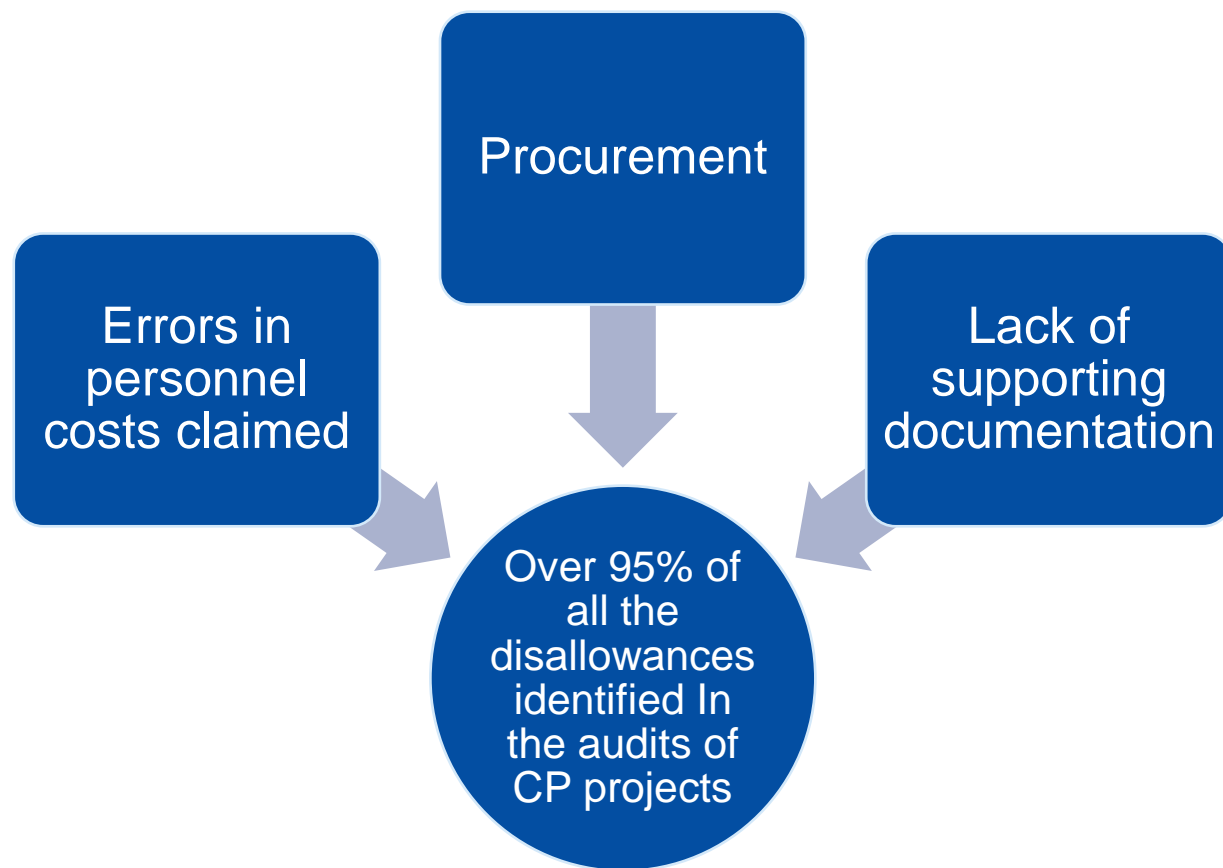
# What the auditor expects from you

- Both DG ECHO EAS and the audit contractors expect the beneficiary's **full and timely cooperation** throughout the audit.
- The audit contractors expect the beneficiary to provide a **detailed transaction listing which reconciles to the final financial reports submitted to DG ECHO**, and provide the **supporting documentary evidence** for the sample of transactions selected for testing by the start of the audit visit.
- It is not the audit contractor's job to undertake the reconciliations or search for documentation, and failure to provide these is likely to result in a disallowance.

# Most frequent errors resulting in disallowances

Examples in light of the previous civil protection audits carried out by DG ECHO External Audit Sector

# Are there some recurrent errors?



- Over **95 % of the disallowances** identified in the previous audits of Civil Protection Grants, are **due to the same three reasons**.
- We consider the most common source of the errors remarked is the lack of understanding of the Grant Agreement rules during the project implementation

# Errors in personnel cost claimed

## a) Incorrect calculation of the annual personnel cost:

- Salary scale grades used as employees' gross salaries in the hourly rate calculation rather than actual salaries paid.
- Calculation of annual productive hours presented to the auditors differed from the annual productive hours applied in the hourly rate calculation used to compute personnel costs charged to the project.
- Inconsistencies between actual days worked for the project as recorded on timesheets and days declared to the project
- Inconsistencies between productive days used in the calculations and the number of productive days actually recorded in the time records presented;
- Differences between the time reported and the time recorded in the time records provided;

# Errors in personnel cost claimed

## b) Inadequate documentation supporting the annual personnel cost:

- Missing employment contract, pay slips, bank statement;
- Not possible to reconcile the amounts recorded on the payrolls with the annual gross salaries declared in the confirmation letter and/or claimed to the project;

# Procurement

- Breach of national procurement rules - incorrect procedure followed (direct purchase instead of open tender)
- Inappropriate records to document the procurement process
- Internal procurement procedures were not adhered to, documentation with appropriate approval and reasoning for non-compliance could not be provided either;
- Contracts with suppliers not provided

# Other common errors resulting in disallowances

- Travel Costs:
  - Cost claimed outside the eligibility period
  - Double-claim by co-beneficiaries
  - Travel policy not provided to the auditors in order to justify the per diems claimed and wrong exchange rate used
  - Excessive cost claimed

# Other common errors resulting in disallowances

- Equipment:
  - Cost claim that were not budgeted such as translation services, emergency food ration packs;
  - Full cost claimed instead of depreciation
- Incorrect VAT claimed

# Thank you



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# Information on anti-fraud

DG ECHO Compliance Sector (DG ECHO E.2)

*Rui Tarraço Margalha, Deputy Head of Unit ECHO.E2*

# What is fraud?

- A deliberate act of deception intended for personal gain.
- Fraud in ECHO grants contains the following components:
  1. Illegality
  2. Impact on ECHO funds
  3. intentionality

# What to do if I suspect fraud in an ECHO grant?

- Inform us: [echo-reportfraud@ec.europa.eu](mailto:echo-reportfraud@ec.europa.eu)
  - Fill in the Fraud Allegation Reporting Form
  - Confidential treatment of your report
- Or inform the European Anti-Fraud Office (OLAF):  
<https://fns.olaf.europa.eu/>

# Thank you



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# Questions & Answers





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