

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



DG ECHO
AUDIT INFORMATION TO THE EU
CIVIL PROTECTION GRANT
BENEFICIARIES

DG ECHO E/2 EXTERNAL AUDIT SECTOR (EAS)

- 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 (multibeneficiary 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 ≤ 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

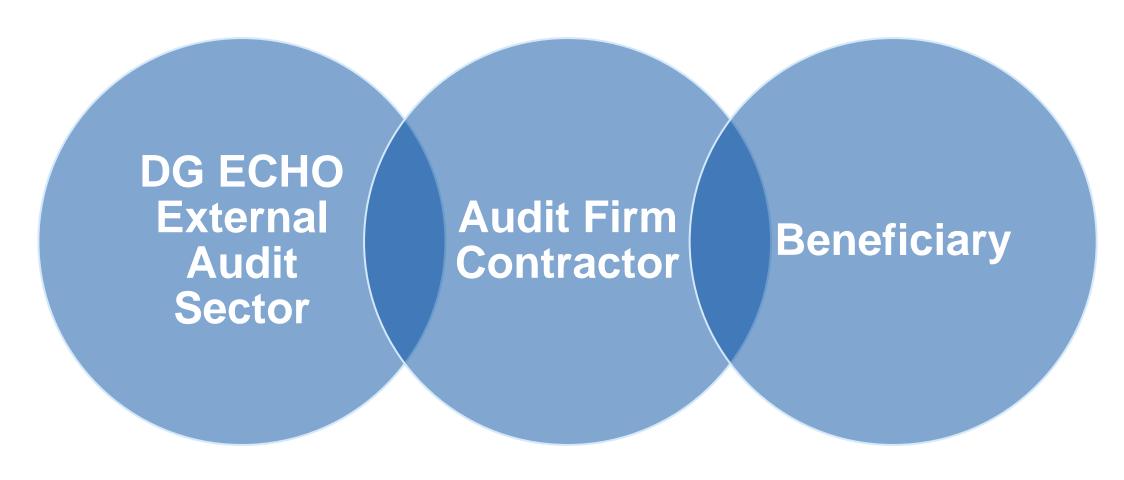


How is the Audit Process?

The Audit Process Flowchart



Main Actors in the Audit Process





HQ AUDIT PROCESS Time (days) ECHO External Audit Sector Contracted Audit Firm Partner / Beneficiary Sign the contract with the Receive Opening Letter Announcing Review ECHO audit documents contracted audit firm. Send audit Audit/Verification from DG ECHO firm relevant ECHO documents 0-15 Send initiation letter and RAQ (only Complete RAQ (only HUMA), and Send Opening Letter Announcing HUMA), and standard documentation provide transaction list within 15 audit/verification to the partner / calendar days Liaise with the partner on planning Liaise with the auditors on planning 16-25 within 10 calendar days Assess RAQ and define the risk Return RAQ (only HUMA), and transaction listing to the auditor 26-56 Identify sample from the partner's / Collect and compile necessary beneficiary's transaction list. documentation based on Approve sample size not meeting the relevant minimum threshold Communicate sample to partner at communicated sample within 30 calendar days least 30 calendar days before start Carry out on-site audit/verification work Provide an aide-memoire summary of recommendations and potential disallowances. Provide agenda for Provide immediate feedback on issues exit meeting 57-97 identified and feasibility of recommendations Hold on-site exit meeting with the partner / beneficiary Exceptionally, provide any additional Immediately provide ECHO with evidence within 7 calendar days Flash Report in case of serious Review flash report and agree irregularities/fraud/failure to actions with auditor provide documentation Compose and share draft report with EAS, incorporate feedback 98-158 Review reasonableness and coherence from EAS on the draft of report and provide feedback to Share draft report with Partner / contracted audit firm beneficiary Agree/disagree recommendations and disallowances, with supporting evidence. Provide general Hold closing meeting with the 159-189 comments within 30 calendar days. partner / beneficiary (optional) No further documents will be considered after this point. Review pre-final report version and request modifications if necessary Incorporate EAS and partner / (note - consultation with ECHO beneficiary comments and Operational Desk occurs at this clarifications into pre-final report stage). Exceptionally, may require and share it with EAS 190-240 auditors to perform additional work Approve pre-final report. At this Sign report and send to partner / stage, auditors will not be expected beneficiary & EAS to review any additional documentation Inform ECHO on the status of Send closing letter to the partner / implementation of critical +240 beneficiary (if applicable, notifying them of the proposed recovery) recommendations periodically Send letter on potential recoveries to the ECHO Authorising Officer +240 recovery Issue debit note

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

Planning Phase

 Informing of the audit and who will be performing such audit.

Receive an initiation letter / email from DG ECHO

Receive an Opening Letter from the auditors

- Informing of:
- Preferred timing for audit;
- Request to provide a detailed list of expenditure from which the auditors will draw their sample;
- Expected documentation standards for different types of expenditure:
- List of documents which should be sent in a digital format to the auditor before the fieldwork to enable the auditor to prepare the audit in the most efficient manner;
- List of documents which should be available to the auditors upon arrival on-the-spot.

- At least 30 calendar days before the start of the audit,
- Such that the beneficiary has all the documentation available at the start of the audit fieldwork, as required by the Grant agreement.

Be informed of the Sample



What you should expect from the auditors

 The beneficiary will participate in a planning meeting including senior audit personnel, some time in advance of the audit fieldwork itself

Opening meeting

Fieldwork

 At the end of the field work the beneficiary will receive a provisional list of disallowances and recommendations (aide memoire). The beneficiary will be invited to attend an exit meeting to discuss the preliminary audit findings

Exit meeting

Execution Phase



What you should expect from the auditors

- The auditors, following a review of the draft report by EAS, will then provide the beneficiary with a draft report for comments.
- In case of disagreement with a recommendation or disallowance, the beneficiary has to give the reasons why and provide any supporting evidence.
- The beneficiary has 30 calendar days to respond to the report, after which no further documentation/evidence will be accepted.

Contradictory procedure

Final report

- DG ECHO EAS will review the draft report/draft final report (requesting any changes to be made) and approve it for issue.
- The auditors will provide the beneficiary with a copy of the report.



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



Procurement Errors in Lack of supporting personnel costs claimed documentation Over 95% of all the disallowances identified In the audits of CP projects

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
 - > 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

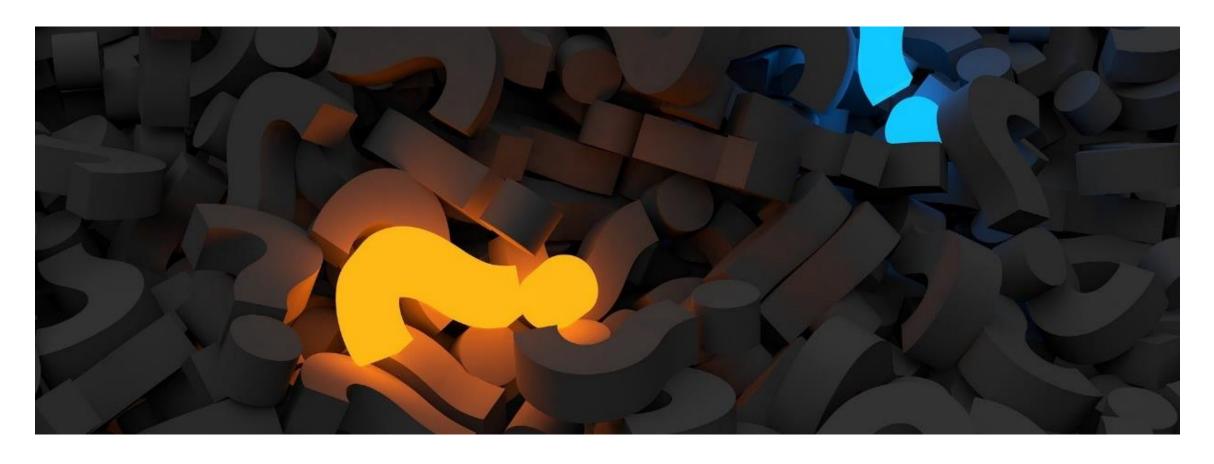


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Questions & Answers







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