



ECHO Audits on Civil Protection Grants

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

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The objectives of this info session

- Familiarise yourself 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
- Few comments on the Certificate on financial statements
- Information on how to report fraud & zero tolerance

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, available on the [Knowledge Network](#)

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**, 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 17 (multi beneficiary grant agreement)

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

- 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

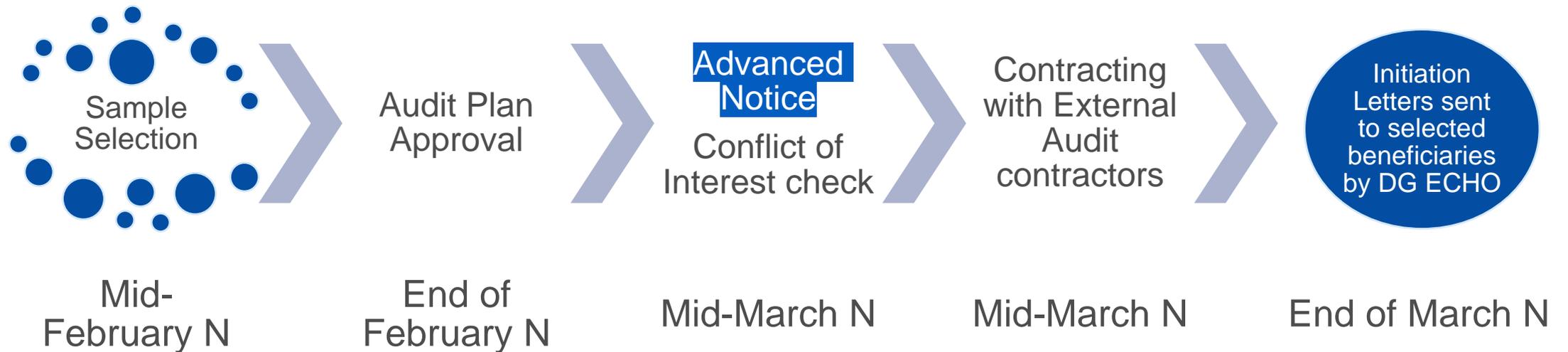
- Comprise checks of legality and regularity of declared expenditure (finalised projects).
- Beneficiaries are selected based on risk, whereby several criteria are taken into account: legality and regularity (high error rate), level of operational risks, action management irregularities, risk of fraud,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

Desk reviews

- Follow up of critical recommendations from previous audits

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:

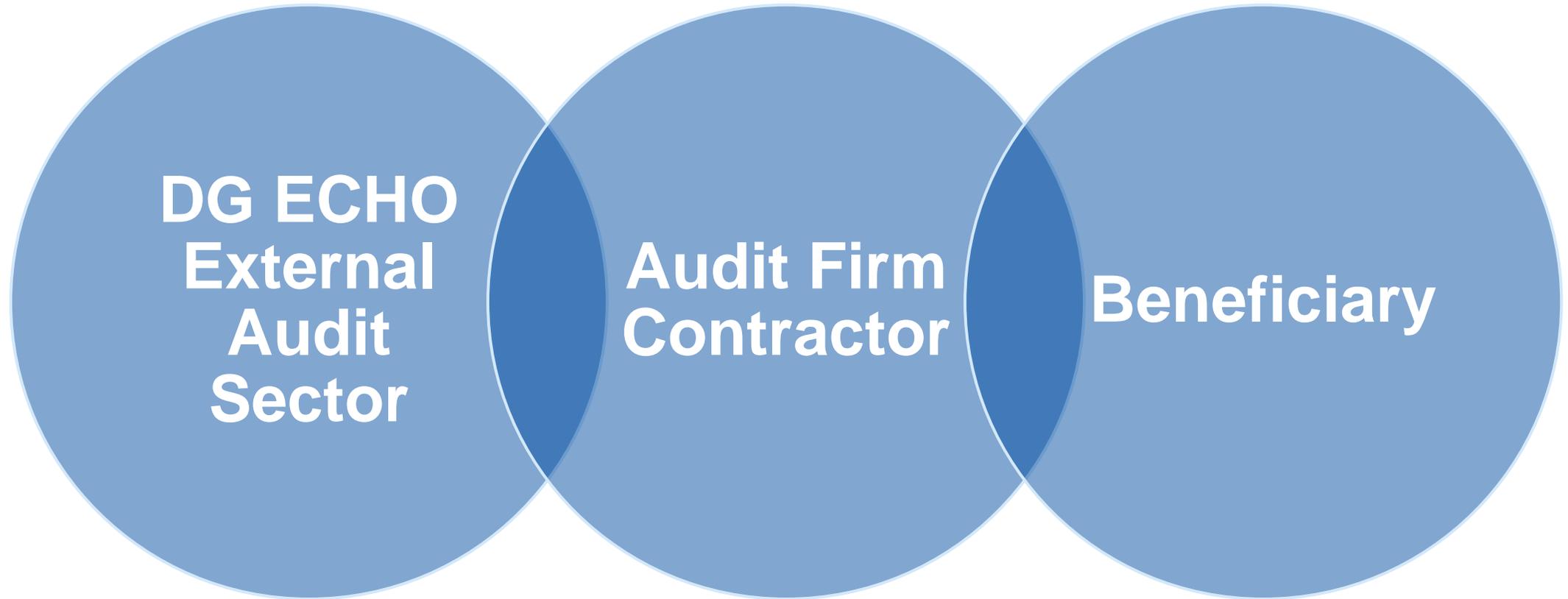


() Indicative Timeline*

Audit Process

The Audit Process Flowchart

Main Actors in the Audit Process



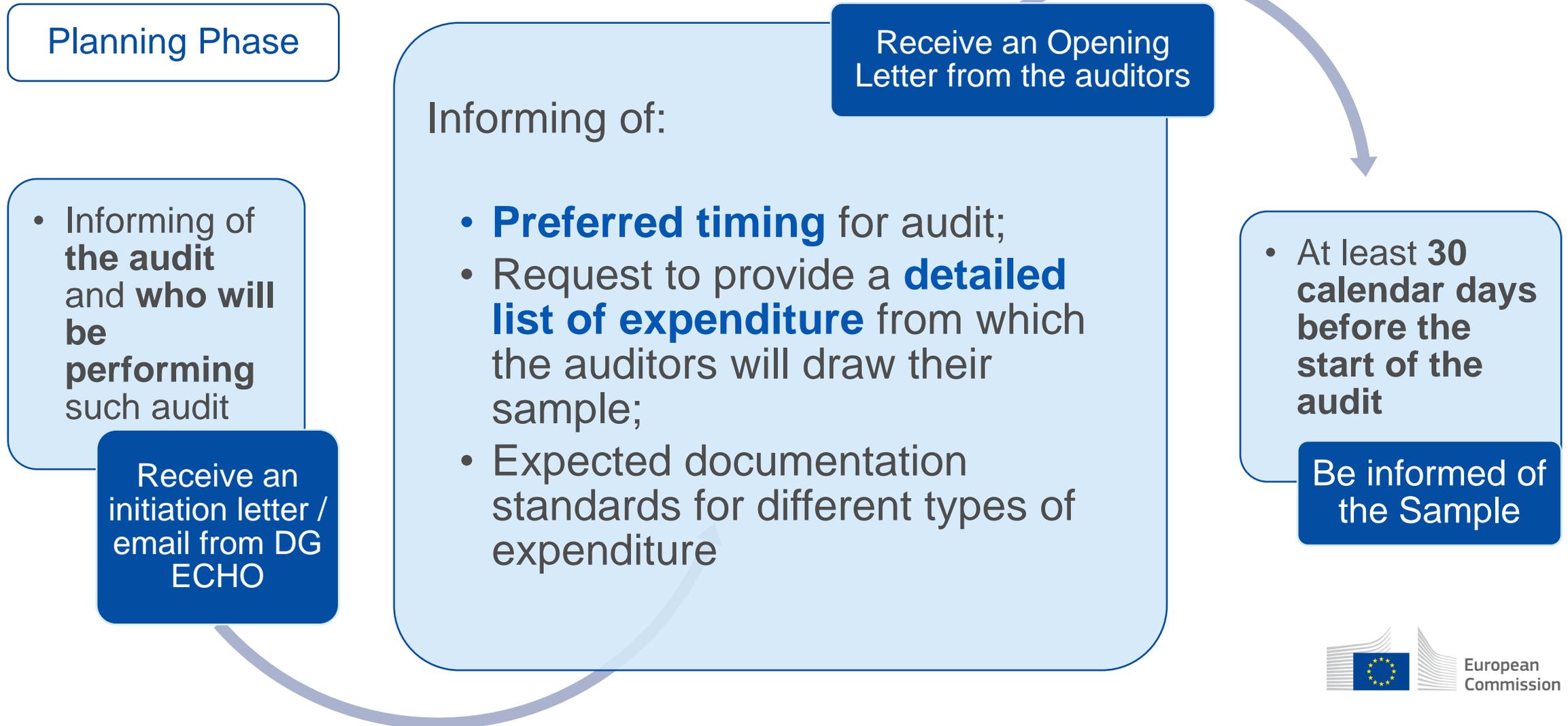
Phase	Time (days)	Partner / Beneficiary tasks
Initiation	0-15	Receive Opening Letter Announcing Audit/Verification from DG ECHO
		Complete RAQ (only HUMA), and provide transaction list within 15 calendar days
Planning	16-25	Liaise with the auditors on planning
Sampling	26-56	Return RAQ (only HUMA), and transaction listing to the auditor
		Collect and compile necessary documentation based on communicated sample within 30 calendar days
Execution	57-97	Provide immediate feedback on issues identified and feasibility recommendations
		Exceptionally, provide any additional evidence within 7 calendar days
Draft report	98-158	N/A
Contradictory	159-189	Agree/disagree recommendations and disallowances, with supporting evidence. Provide general comments within 30 calendar days. No further documents will be considered after this point.
Pre and final report	190-240	N/A
Finalisation	+240	Inform ECHO on the status of implementation of critical recommendations periodically
Recovery	+240	Provide comments on proposed recovery

Audit process phases

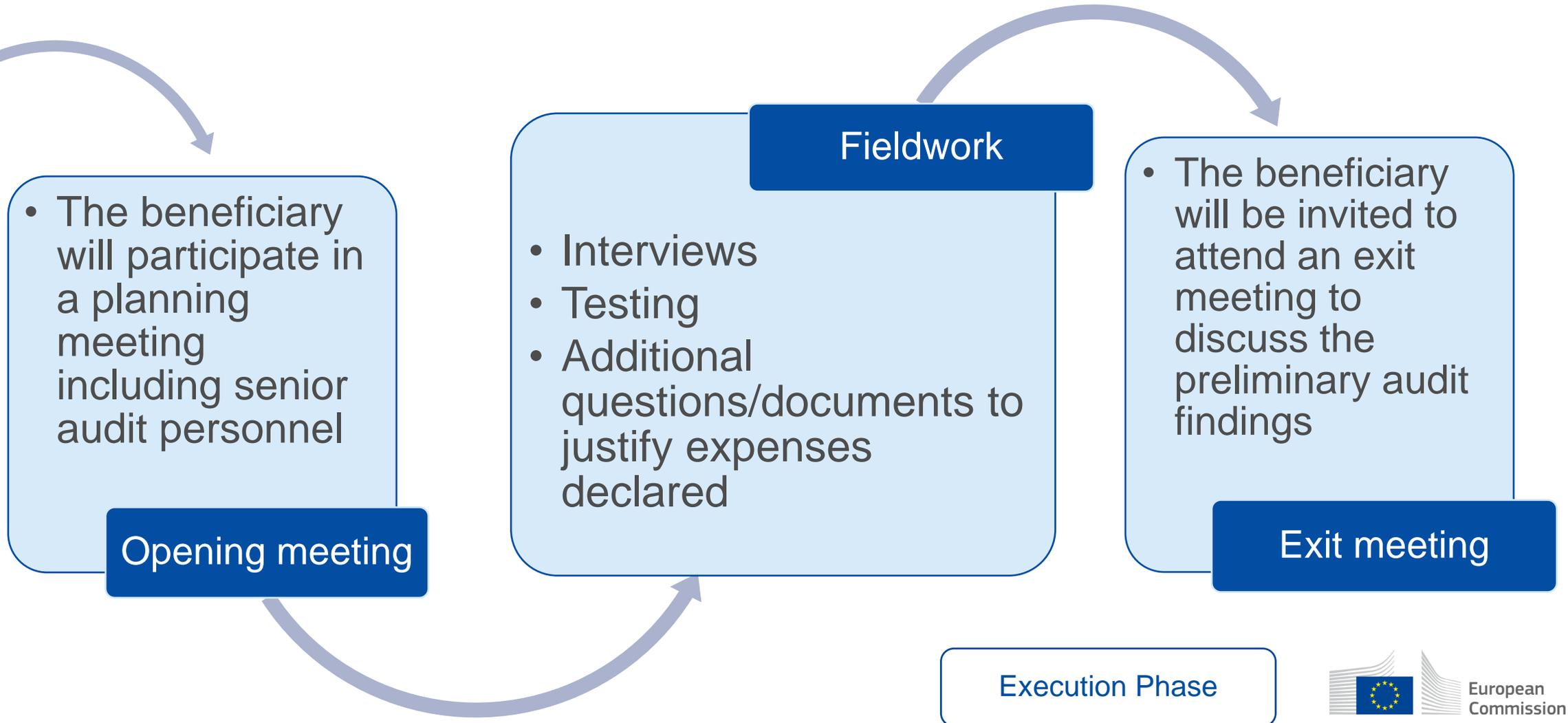
Let's talk about expectations

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



What you should expect from the auditors

- The auditors, following a review of the draft report by EAS (external audit sector), 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.

Reporting Phase

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 task to undertake the reconciliations** or search for documentation, and failure to provide these is likely to result in a disallowance.

Improvement of the audit process

From auditors:

- Opening meeting
- Exit meetings with clear Aide memoire (preliminary findings, documents still to be submitted)
- Feedback on the submitted documents

From beneficiaries:

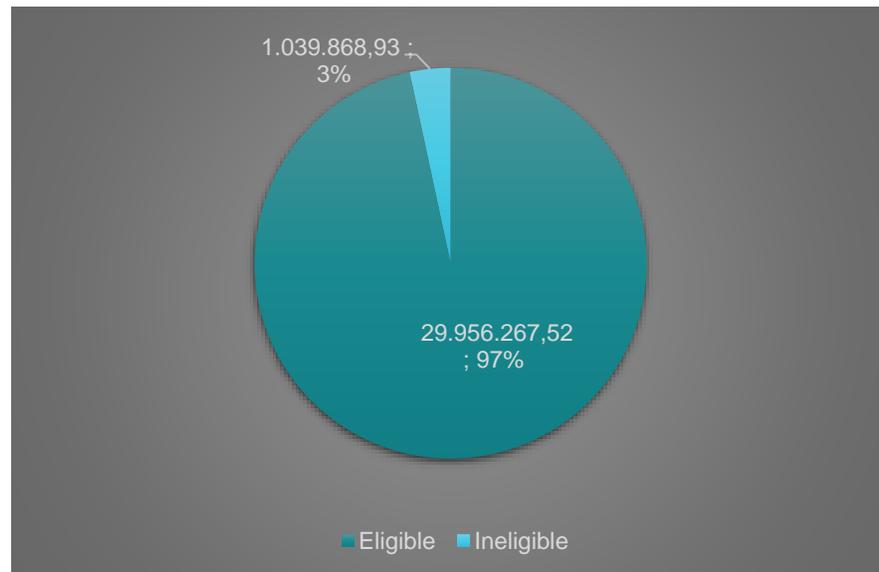
- Preparation of requested documentation BEFORE field work (upload to a platform)
- Submission of outstanding documentation within 2 WEEKS from fieldwork
- Use time of contradictory procedure for clarification/additional submission

Most frequent errors resulting in disallowances

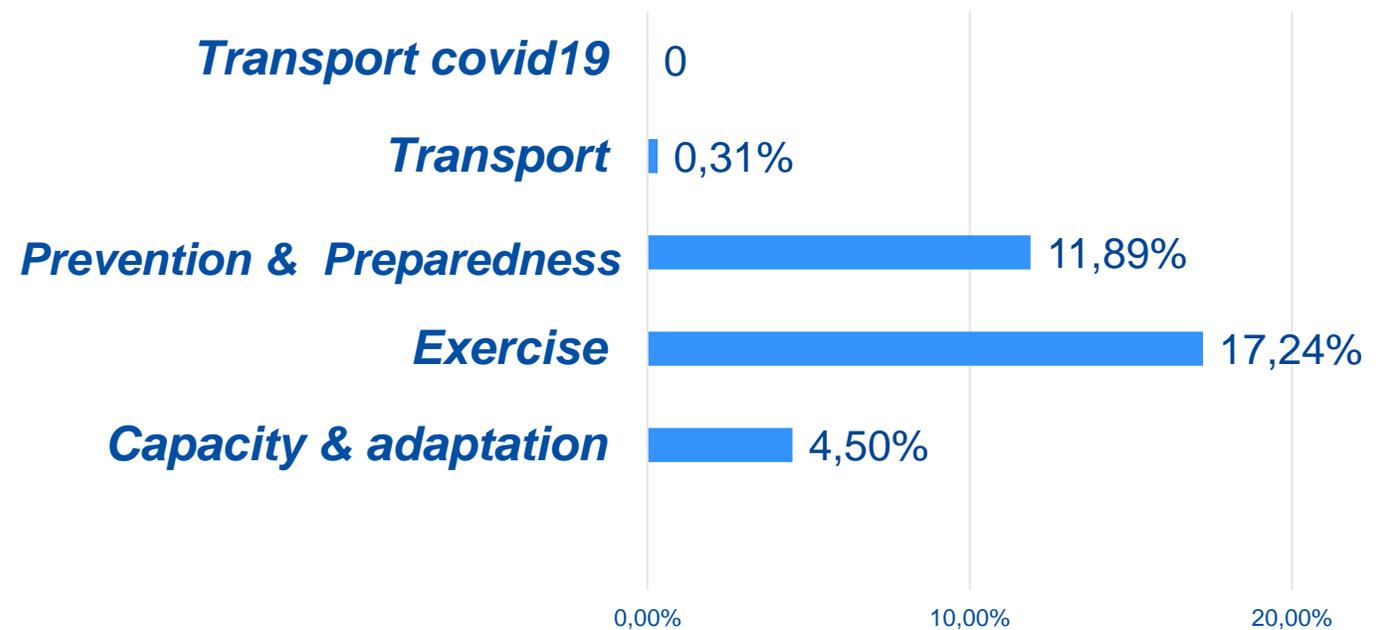
Examples based on previous civil protection audits carried out by DG ECHO EAS and finalised in 2021-2022

Cumulative error rate 2020-2022

ECHO	2020-2022
<i>Tested</i>	30.996.136,45
<i>Detected ineligible expenditure</i>	1.039.868,93
<i>Rate</i>	3,3548%



Cumulative error 2020-2022



Main reasons for ineligibility of expenditure

Subcontracting
(Procurement,
Lack of supporting
documentation)

77% of all the
disallowances
identified in the
audits of CP
projects

Errors in
personnel costs
claimed

Main reason for ineligibility	%
Direct costs of personnel	38,52%
Direct costs of subcontracting	38,20%
Other direct costs	13,25%
Direct costs of travel and subsistence	5,98%
Equipment costs	3,56%
Indirect costs	1,40%
Incorrectly disallowed at final report stage by ECHO	-0,91%

Errors in personnel cost claimed – 1/2

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 – 2/2

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;
- The total hours declared exceeded the standard productive hours that could be used to calculate the hourly rate.
- Hourly rates used did not always reflect the one of the latest closed financial year

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
- Missing documentation
- Discrepancy noted between the subcontracting costs reported on the final financial statement for co-beneficiary and the transactions list 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 claims that were not budgeted such as translation services, emergency food ration packs;
- Full cost claimed instead of the part relative to the depreciation
- Double claim of cost

- **Incorrect VAT claimed**

Certificate on the financial statement

The independent report of factual findings on costs declared under a EU grant agreement financed under the EU Civil Protection Mechanism

Who must submit a certificate ?

- All beneficiaries (or affiliated entities ('participants') in EU grants) must provide certificates on their financial statements (CFS), in accordance with
 - the schedule (**interim if any / final payment**);
 - threshold (**≥ EUR 325 000**).
- The certificates must be drawn up using the template published on the Portal

Auditors who may deliver a certificate

- The beneficiary/affiliated entity is free to choose a qualified external auditor;
- Auditors must carry out the verification according to the highest professional standards;
- The auditor must verify that the costs declared comply with the general eligibility rules
- The costs of the CFS are eligible

Reporting on fraud & zero tolerance

Anne Schley, ECHO E.2 Compliance Officer



Anti-fraud

- What is fraud?
 - Fraud is a deliberate act of deception intended for personal gain.
 - Translated to ECHO grants: illegal and intentional act, which has a negative impact on ECHO funds
- 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
 - You can also contact directly the European Anti-Fraud Office (OLAF): [Fraud Reporting Home \(europa.eu\)](https://fraud-reporting.europa.eu)



Protection from Sexual Exploitation, Abuse and Harassment (PSEAH)

- **What is PSEAH?**

Preventing and responding to harm caused to any person related with our ECHO funded activities by sexual exploitation, abuse or harassment.

- **What to do if confronted with an allegation of sexual exploitation, abuse or harassment in the framework of an ECHO grant?**
 - Put the victim/survivor first: ask what (s)he needs
 - Report the incident to echo-reportmisconduct@ec.europa.eu
 - Confidentiality and data protection ensured
 - Information shared on a need-to-know basis

Thank you

ECHO-AUDIT@ec.europa.eu



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