



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 25 (UCPM MGA – Multi & Mono)

Article II.27.1 of the General Conditions
(response grants)

- Checks or audits made by the Commission's own staff or by external audit firm 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 June **N-2**-July **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, OLAF recommendation, etc.
- On a needs basis

Desk reviews

- Follow up of critical recommendations from previous audits



Audit Planning Cycle – change from 2024

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

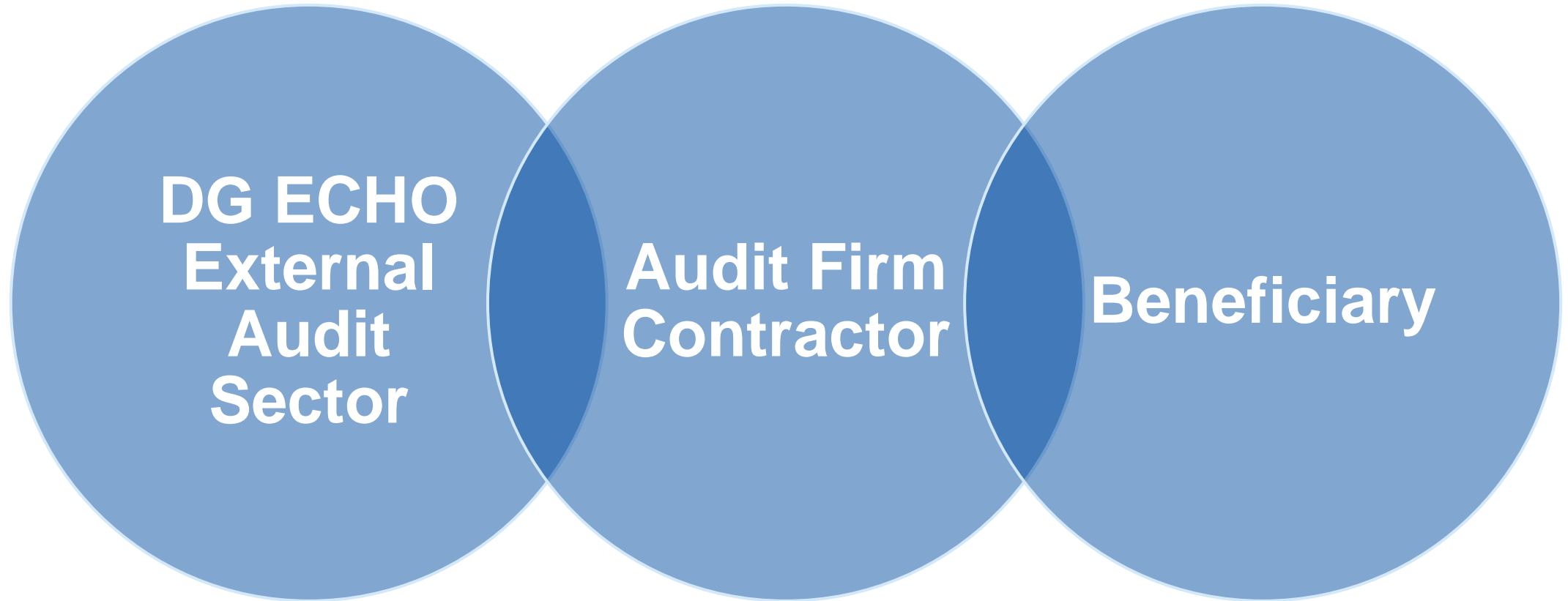


(*) *Indicative Timeline*

Audit Process

The Audit Process Flowchart

Main Actors in the Audit Process



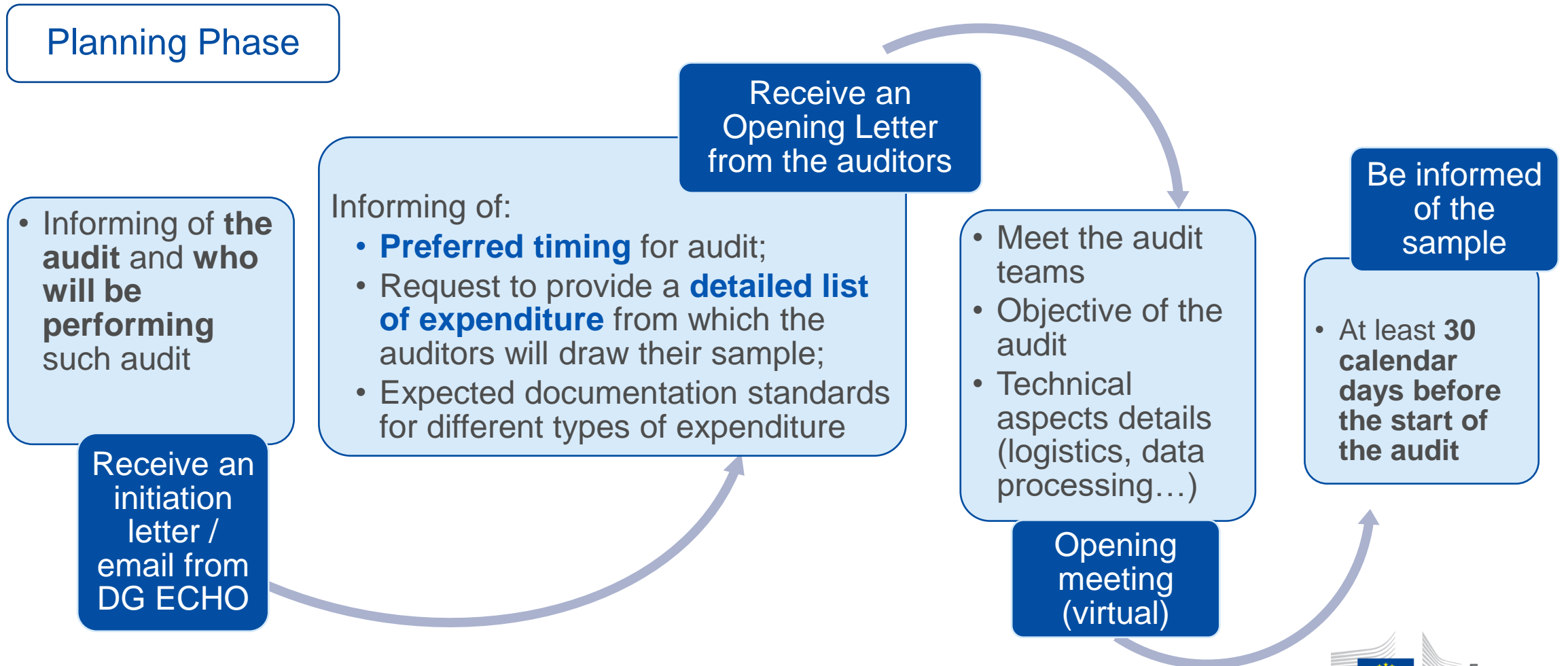
Phase	Time (days)	Partner / Beneficiary tasks
Initiation	0-15	Receive Opening Letter Announcing Audit/Verification from DG ECHO
		Complete RAQ (only HUMA), and provide transaction list within 15 calendar days
Planning	16-25	Liaise with the auditors on planning
Sampling	26-56	Return RAQ (only HUMA), and 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
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

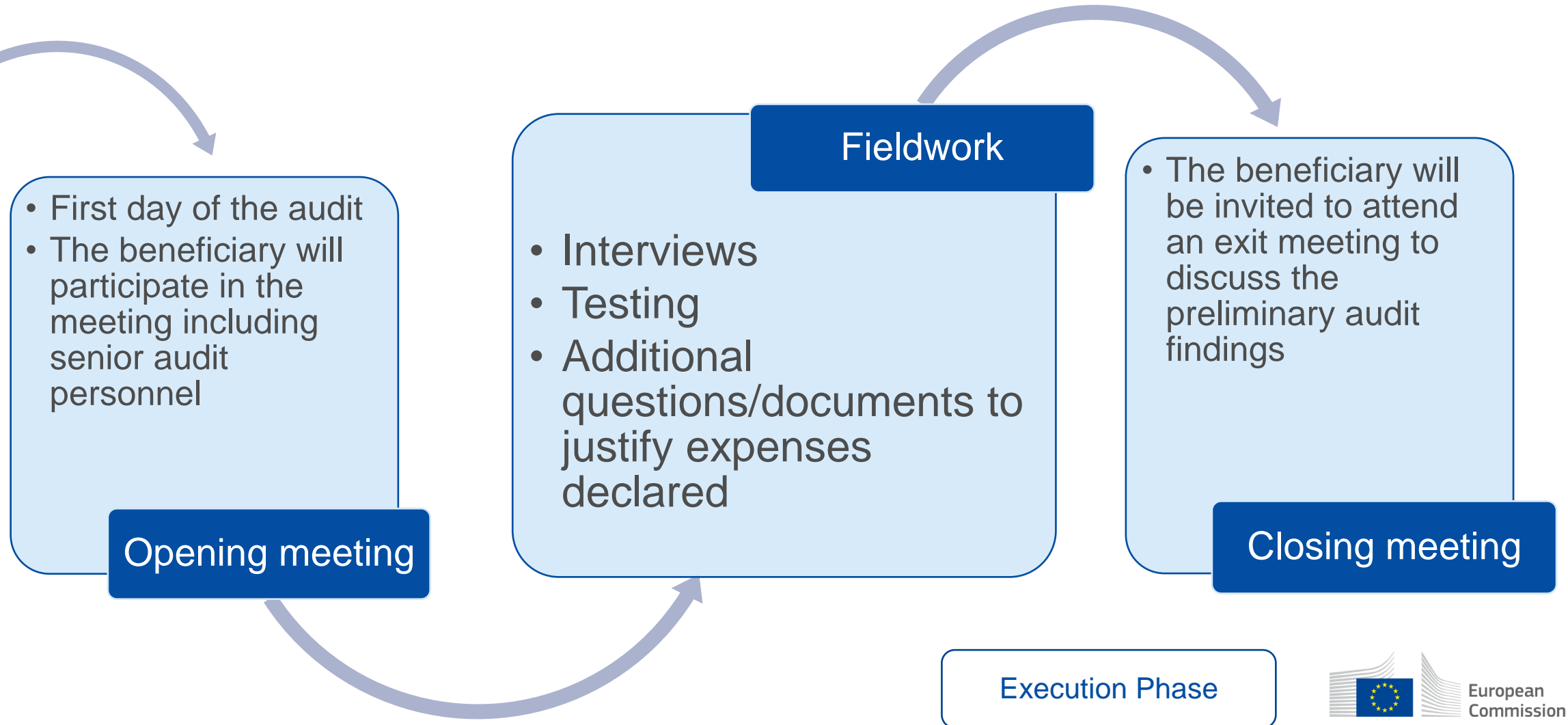
Let's talk about expectations

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, 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:

- Virtual 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

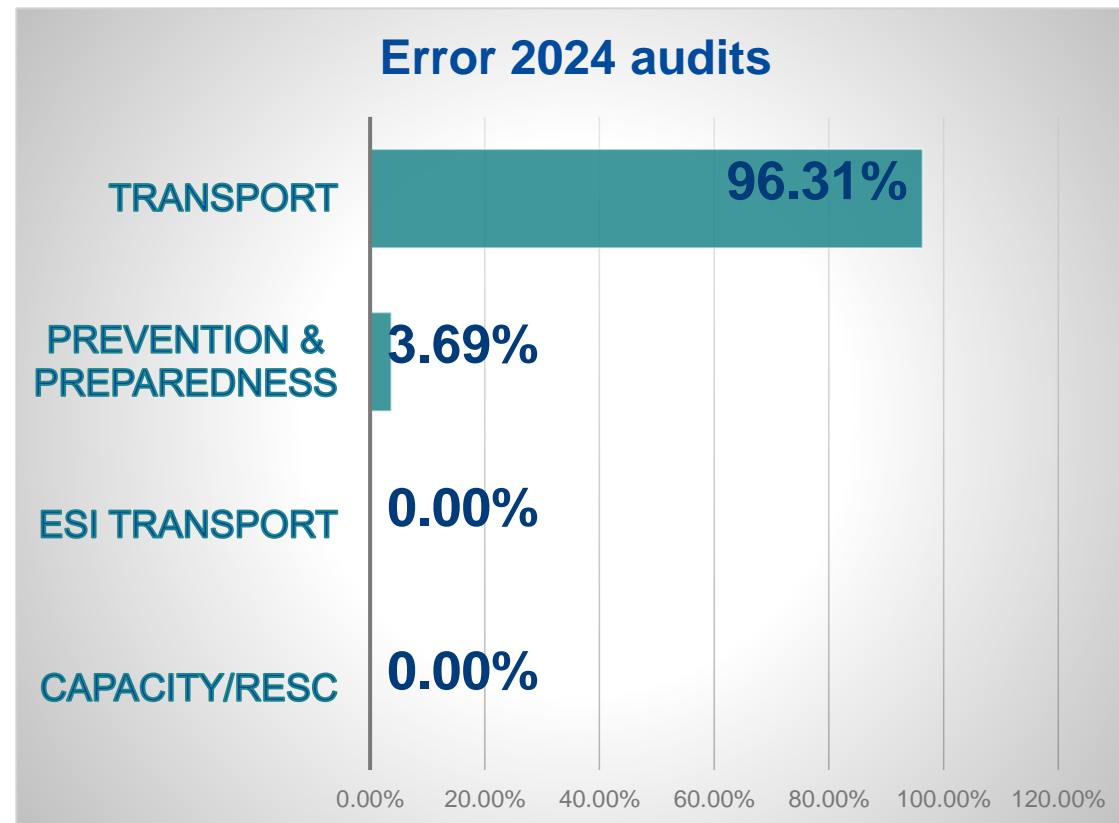
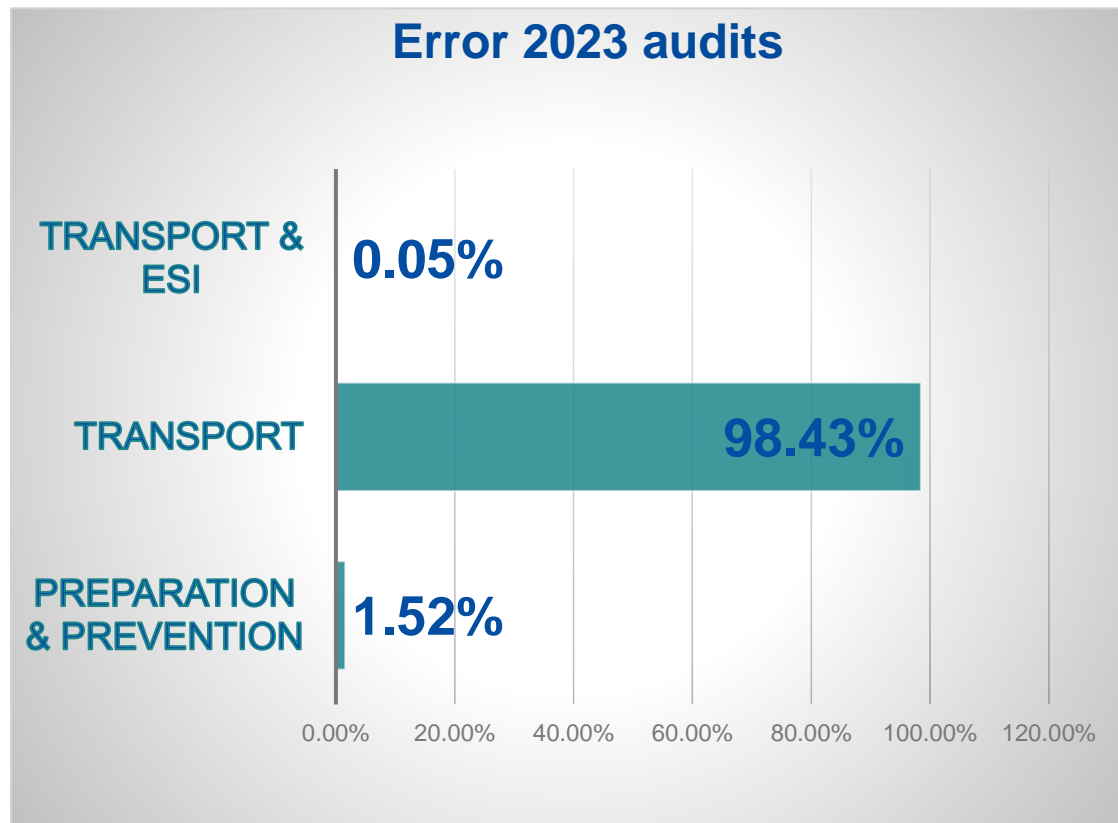
Error rate for UCPCM and most frequent errors resulting in disallowances

Examples based on previous civil protection audits carried out and finalised by DG ECHO in 2023-2024

Cumulative error rate 2022-2024

ECHO expenditure	2022	2023	2024	2022-2024
<i>Expenditure tested</i>	9.623.248,28	42.378.634,05	14.317.208,84	66.319.091,18
<i>Detected ineligible expenditure</i>	91.546,00	326.456,12	90.650,71	508.652,83
<i>Detected error rate</i>	0,95%	0,77%	0,63%	0,7670%

Error per type of project



Main reasons for ineligibility of expenditure – Analysis of 2023 audit results - September 2024

Main reason for ineligibility	%
Missing/inadequate documentation - costs of subcontracting	84,67%
Expenditure from subcontracting outside the eligibility period	14,89%
Missing/inadequate documentation of personnel cost	0,41%

Errors in personnel cost claimed

Missing / inadequate documentation of personnel cost

- Hours are not correctly transferred from timesheets to project reporting
- 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
- The project time units do not match with the individual time records prepared and approved
- Invoices for non-employees were inclusive of VAT amount

Costs of subcontracting

a) **Missing/inadequate documentation**

- The beneficiary was unable to provide reconciliation between the amounts claimed from DG ECHO, accounting records, invoices and supplier agreement rates
- Missing acknowledgement letters or notes for services received proving provision of the services
- Conflict of Interest

b) **Expenditure outside eligibility period**

- Number of shipments arrived in country after the end of the eligibility period

Some issues from the audits finalised in 2024

Claim of confidentiality of supporting documents – how to prevent such situation

Personnel cost not supported by adequate supporting evidence – such as employment contract, timesheets, pay slips, proof of payment of the salary

Procurement – prices agreed in FWC – different prices paid

Not identifiable how the prices were established if there is a pricing matrix in the contract with the supplier but it was not used

Certificate on financial statement

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

Who must submit a certificate ?

- Each beneficiary/affiliated entity must submit a CFS if they reach the threshold (**set out in the Data Sheet**)
 - financial statement: requested EU contribution to costs \geq EUR [150 000][325 000][[...]]
 - estimated budget: maximum grant amount \geq EUR [200 000][750 000][[...]]
- Schedule for CFS - interim/final payment;
- 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 a required CFS are eligible

Anti-fraud

Anne Schley, ECHO E.2 Compliance Officer

What is fraud?

Fraud is a deliberate act of deception intended for personal gain

- Intentional misrepresentation or non-disclosure of information affecting ECHO funds
 - E.g. Falsification of receipts or time sheets, double funding
- Failing to disclose information intentionally
 - E.g. not revealing a conflict of interest in a procurement procedure
- Misappropriation of funds
 - e.g. using grant funds or material for personal use

Zero tolerance for inaction

Expectations from grant beneficiaries

- Prevention, detection and response measures
- Pro-active and timely communication in case of fraud incidents
- Application of mitigating and corrective measures following fraud allegations/incidents

Consequences of fraud

- Disallowance of established amount
- In (very) serious cases:
 - Reduction, suspension or termination of the agreement
 - Financial penalties
 - Exclusion (EDES)

How to report fraud?

- Inform DG ECHO: 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)

Questions & Answers

Thank you!

Link to List of standard supporting evidence in financial audits of ECHO partners

<https://www.dgecho-partners-helpdesk.eu/reference-documents-ngo>

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For feedback and suggestions on the Audit webinar, please write to:

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