

# Financial Managers Seminar

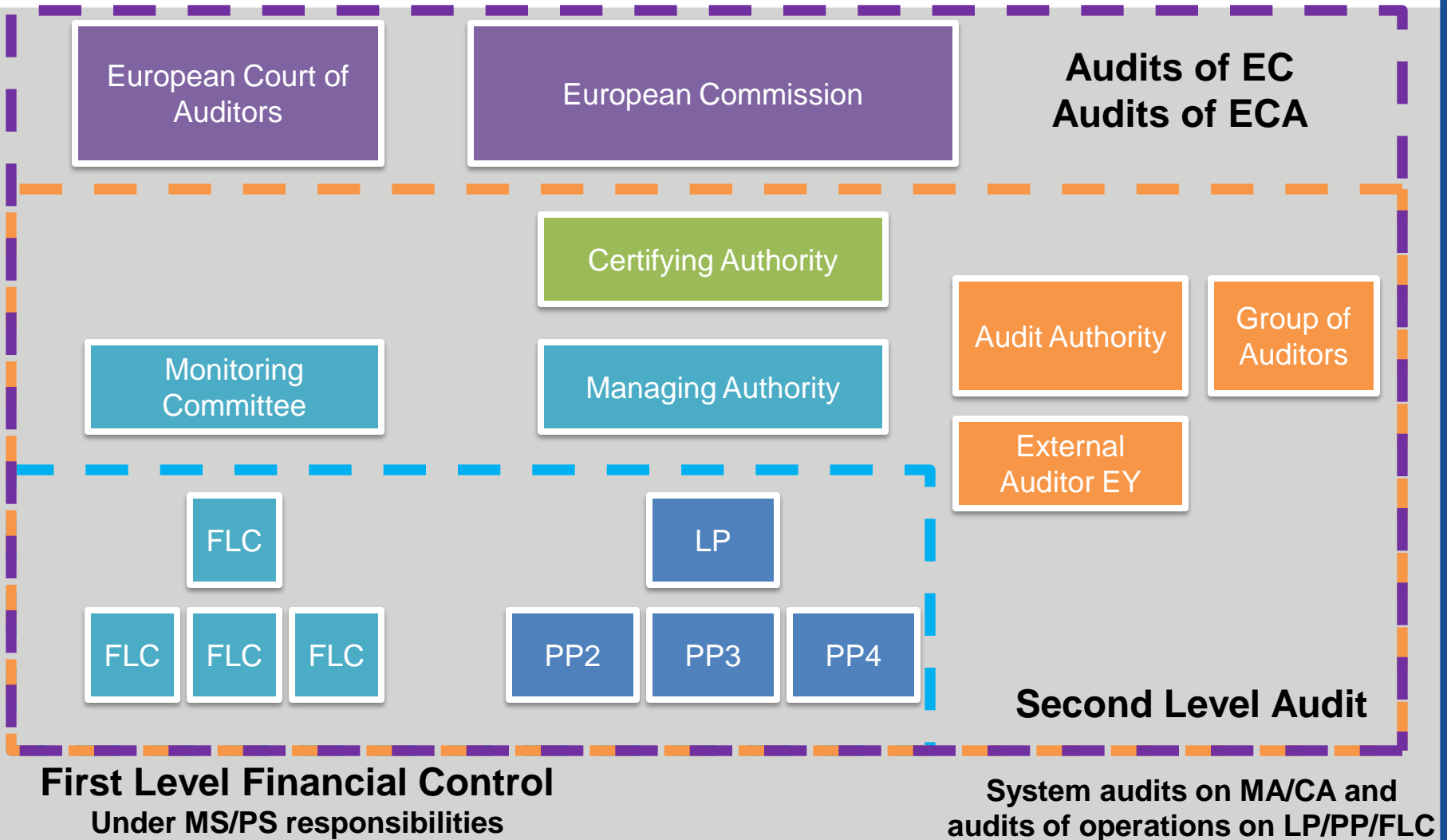
16-17 November 2011

Oslo– Norway

**Second level Financial Control**



# Management and control system (1)



# Management and control system (2)

The table below presents the controls made and the authority in charge:

<b>Stakeholders of the control system</b>	<b>Certification of expenses</b>	<b>Quality controls</b>	<b>Audits (2<sup>nd</sup> level, EC and ECA)</b>
Final beneficiaries	Self-control		
FLC under resp. of MS/PS	First Financial Level Control		
ESPON CU on behalf of the MA	CU desk review on progress report/project monitoring	MA Quality controls on operations	
Certifying Authority	Payment and Certification toward EC	CA Quality controls on operations	
Member States/Partner States		MS / PS quality control of FLC	
External auditor under resp. AA			System audits Audit of operations
European Commission			EC audits
EU Court of Auditor			ECA audits

# Second Level Audit

**Audit Body:** Inspection Générale des Finances, Ministry of Finance in Luxembourg, supported by the Group of Auditors (GoA)

Audit work is implemented by an external audit firm (Ernst & Young) from end of 2008 until 2015.

**Audit work performed** on behalf of the Audit Authority:

- System audit on central authorities (MA, CU, CA) done in 2009 and if requested by the AA at a later stage;
- Audit of operations on beneficiaries (LP, PP, FLC) from 2010 until 2015, reports to be delivered by 30 June of each year;
- Annual control reports and opinions preparation (synthesis of work performed) approved by AA and GoA and submitted by the AA by 31 December each year from 2009 until 2015.

# Audit of operations (1)

Focus of the audit of operations is put on:

- The compliance with Community and national rules, in particular public procurement;
- The respect of the selection criteria for the operational programme for the operation under discussion and the implementation of the operation in accordance with the approval decision;
- The correspondence of the expenditures declared by the beneficiary to the accounting records and supporting documents held by the beneficiary;
- The payment to the final beneficiary of the public contribution

# Audit of operations (2)

## Methodology:

- Started in January 2010 until 2015, carried out each year by the external audit firm on behalf of the AA assisted by the GoA;
- Operations controlled in year n are operations paid and certified in year n-1, selected on sample basis by the AA.
- Sample approved December of year n-1 for audits to be carried out as from January of the year n
- Selected projects and partners will be informed by the CU during January of the year n
- Audit of operations to be carried out until end of March year n
- In principle, the LP and 1 randomly selected partner involved for each project covering expenses paid and certified in year n-1
- Information in advance, clear and complete communication to the LP/PP selected – documents, participants, dates, visits on the spot – contradictory procedure

# Audit of operation vs. MA quality checks

## Audit of operation

- **Who?** EY on behalf of AA and GoA
- **What for?** Efficiency of the management and control system, detect irregularities, ineligible expenditures
- **When?** From January until March
- **On which basis?** Sample (random) on expenditures paid and certified on year n-1 to the EC
- **How?** Interviews of LP,PP,FLC and exhaustive review of supporting documents (financial and activity)
- **What?** Expenditures declared in progress reports, paid and certified

## Quality checks by MA/CU

- **Who?** CU on behalf of MA
- **What for?** Information to beneficiaries, improvement of the management and control system, prevention
- **When?** Throughout the year
- **On which basis?** Risk analysis performed by the MA/CU on basis of desk review performed on progress report
- **How?** Interviews of LP,PP,FLC (if necessary) and review of key supporting documents (not exhaustive)
- **What?** The management and control system in place from Application Form until the programme funds transfers.