

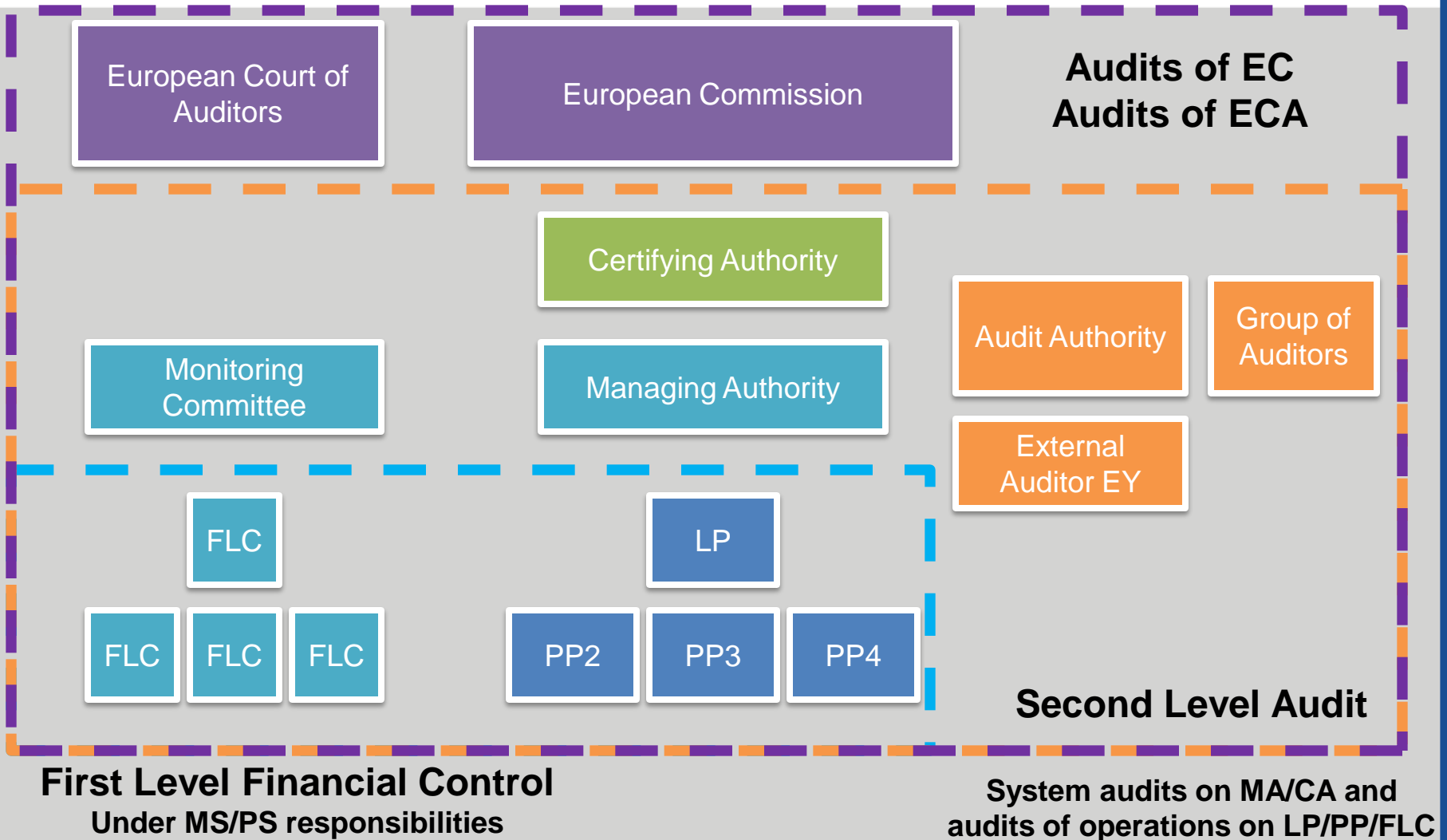
Financial Managers Seminar

Leiden, 18-19 October 2010

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:

Stakeholders of the control system	Certification of expenses	Quality controls	Audits (2nd level, EC and ECA)
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.