



CentralBaltic



Central Baltic Programme

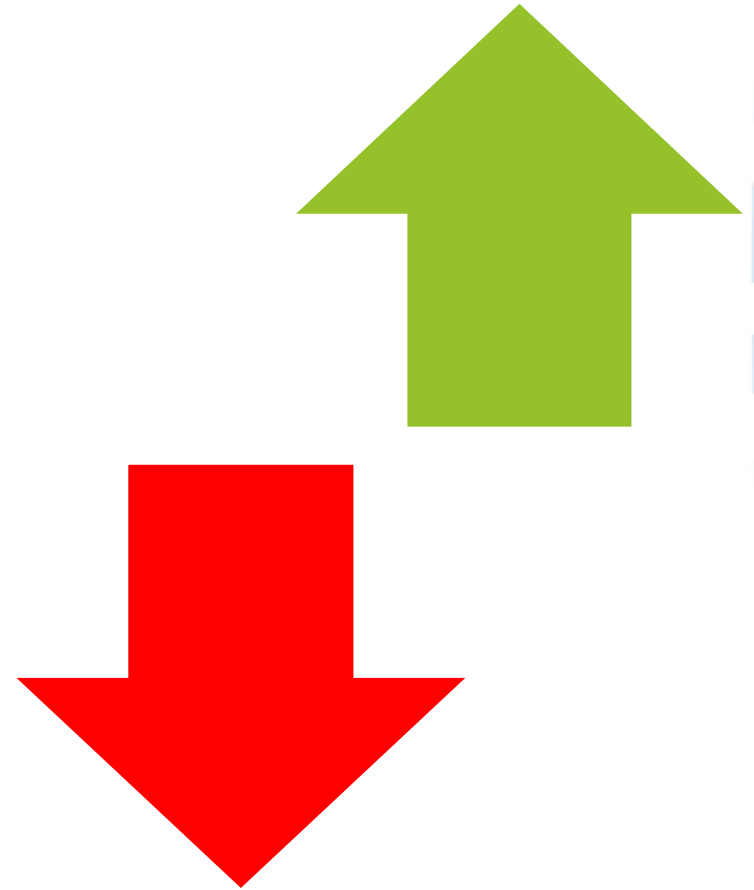
Case study on the successful process maps for submission of accounts

Roberts Jansons | 15.06.2017 | Malta



Introduction

- CB overview
- EC requirements
- Process organization
- Timeline
- Execution
- Improvements



CB overview from AA perspective

ERDF

122M

Designated
December
2015

Currently
contracted

67 (68M)

Accounting year
01.07.2015 - 30.06.2016

PC 1.1 (7.07.2016)

Audit period:
01.07.2015 - 31.12.2016

Accounting year
01.07.2016 - 30.06.2017

PC 2.1 (30.09.2016)
PC 2.2 (16.12.2016)
PC 2.3 (26.01.2017)
PC 2.3 in progress

Audit period:
01.07.2016 - 31.12.2017

CB overview from AA perspective

Accounting year
01.07.2015 - 30.06.2016

- € 59 643,33
- Non-statistical random sample
- 100% costs audited

Audit period:
01.07.2015 - 31.12.2016

Accounting year
01.07.2016 - 30.06.2017

Sample No.1 (6,1M)
PC 2.1 30.09.2016
PC 2.2 16.12.2016
PC 2.3 26.1.2017

Sample No.2 (3-4M)
PC 2.3 in progress

Audit period:
01.07.2016 - 31.12.2017

EC requirements

In Article 59 (5) of the Financial Regulation 966/2012 the documents are listed which have to be provided to the EC till 15 February of the following financial year:

- a) **accounts** on the expenditure that was incurred, during the relevant reference period that **shall be accompanied by a management declaration**
- b) an **annual summary** of the final audit reports and of controls carried out

the accounts and the summary shall be accompanied by an opinion of an independent audit body drawn up in accordance with internationally accepted audit standards.

EC requirements

Article 137 of the Regulation 1303/2013 states that **accounts shall be submitted** to the Commission and shall **cover the accounting year** and shall include:

- the total amount of **eligible expenditure** entered into the accounting systems and corresponds to the interim payment applications
- the **amounts withdrawn and recovered** during the accounting year, the **amounts to be recovered** as at the end of the accounting year **and the irrecoverable amounts**
- the amounts of programme **contributions paid to financial instruments and advances of State aid**
- **reconciliation between the expenditure declared in payment applications, accompanied by an explanation of any differences**

Audit of annual accounts

Audit Authority in regard to the audit of annual accounts:

- should implement an appropriate audit approach and methodology.
- take into account the results of existing audit work, i.e. the results of the system audits carried out, in particular those regarding the CA, and the results of the audits of operations.
- should include **final additional verifications** on the accounts which would allow the AA to provide an opinion to establish whether the **accounts give a true and fair view**.
- should carry out **final additional verifications on the (draft) certified accounts** provided by the CA. The aim of the verifications is to confirm that all the elements required by Article 137 of the CPR are correctly included in the accounts and supported by underlying accounting records maintained by the MA (or IBs) and beneficiaries.

Audit of annual accounts

- Based on the draft accounts received from CA, the AA verifies that:
 - (a) the **total amount** of eligible expenditure declared **reconciles with** the expenditure included in the **final payment application** submitted to the Commission for the relevant accounting year. Differences have to be explained in the Appendix 8 - AA shall assess the adequacy of the explanations;
 - (b) the **amounts withdrawn and recovered during the accounting year, the amounts to be recovered as at the end of the accounting year**, the recoveries effected pursuant to Article 71 (durability of operations) of the CPR, and the **irrecoverable amounts** presented in the accounts, **correspond to the amounts entered in the CA's accounting systems** and are **based on decisions** taken by the responsible MA/IB or CA;
 - (c) **expenditure has been excluded from the accounts due to an ongoing assessment** of its legality and regularity. The AA also verifies, possibly on the basis of a sample, that **all other required corrections** as a result of management verifications or audits were **correctly reflected** in the accounts for the accounting year concerned;
 - (d) the **amounts of programme contributions paid to FI and advances of State Aid paid to beneficiaries are supported by the information available**, in particular from the MA/IB.

Audit of annual accounts

AA has to evaluate the results of:

- I. System audits
- II. Audits of operations
- III. Audits performed by the Commission
- IV. Audits carried out by the European Court of Auditors and its follow-up performed by the Commission
- V. Checks performed by other programme authorities
(administrative verifications, on-the-spot verifications,
checks carried out by certifying authorities)
- VI. Others audit and control results to which the AAs have access.

Audit of annual accounts

- The audit of accounts (system audit) is launched in order to provide reasonable assurance on the truth, completeness, accuracy and veracity of the amounts declared in the accounts.

SCOPE:

Key requirement 9	Adequate separation of functions and adequate system for reporting and monitoring where the responsible authority entrust execution of tasks to another authority
Key requirement 10	Adequate procedures for drawing-up and submitting payment applications
Key requirement 11	Appropriate computerised records of expenditure declared and of the corresponding public contribution are maintained
Key requirement 12	Appropriate and complete account of amounts recoverable, recovered and withdrawn
Key requirement 13	Appropriate procedures for drawing up and certifying the completeness, accuracy and veracity of the accounts

Audit of annual accounts

To assess all relevant key requirements following audit procedures are planned:

1. Interviews with CA
2. Compliance tests - CA procedures checked
 - assessment and recording of irregularities
 - CA procedures are in line with legislation
3. Walkthrough test
 - administration of the irregularities that are registered in the eMS;
 - payment applications - the preparation process and controls performed by CA;

Audit of annual accounts

- 4) Control tests regarding timely data entry in the eMS;
- 5) Substantive tests carried out to ensure that payment applications are prepared and necessary controls are performed in accordance with CA procedures;
- 6) eMS tests conducted to ensure that system provides reliability of data.
- 7) Audit of negative amounts should be performed in order to gain assurance whether the amounts are supported by decisions made by MA and are recorded in the CA accounting system and eMS properly.

On the sample basis covering each type of record:

- Withdrawals (Appendix 2)
- Recoveries (Appendix 2)
- Pending recoveries (Appendix 3)
- Irrecoverable amount (Appendix 5)

It can be done through out the year or after final interim payment.

Draft accounts

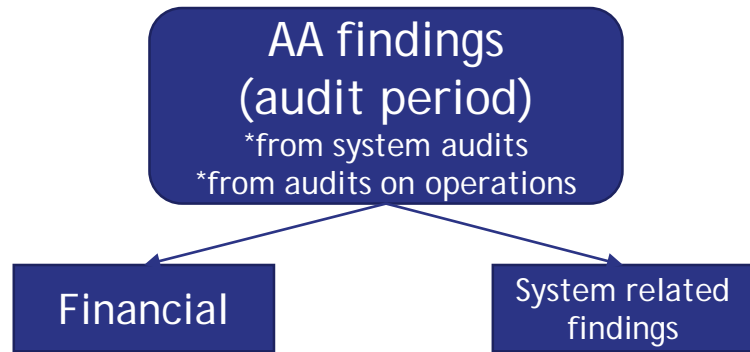
- The residual risk of error in the block of expenditure covered by the accounts should be low, since the CAs must deduct all irregularities detected during the accounting year and up to the transmission of the draft annual accounts by the CA to the AA.
- The results of the audit work performed by the AA on the draft accounts should be taken into account by the CA before transmission of the certified accounts to the Commission.

Final verification and opinion on accounts

Verification of draft accounts - verification of **Appendix 8**

- assessment of adjustments made by CA and explanations provided, as well as reviewing updated accounts in order to ensure that all AA finding are treated (excluded).

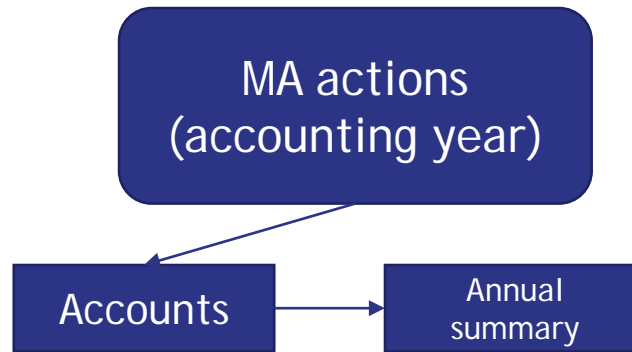
Positive conclusion



Findings point out to MCS

e.g deficiencies

- KR4 (FLCs)
- Programme manual
- Internal procedure weakness
- JS control processes
- CA control process



MA actions

e.g

- Analysis on found weaknesses
- Implementation (updating MCS, manuals and documents)
- Additional trainings
- Instant action deducting the irregular costs from the accounts

Process organisation

-1-

Accounting year
01.07.2015 - 30.06.2016

- Agreement with MA on first year account as pilot 59t euros certified, all process tested
- Testing of procedures and documents
 - AA Report form / Checklist
 - Audit manual procedure testing
 - Timing of procedures and delivery of documents - agreed beforehand and established in MCS documents

Audit period:
01.07.2015 - 31.12.2016

Process organisation

-2-

Accounting year
01.07.2015 - 30.06.2016

- Document updates after the first accounts cycle
- Testing system - eMS
 - Testing how eMS can be help to auditor
 - eMS data testing

Audit period:
01.07.2015 - 31.12.2016

Process organisation, conclusion

Accounting year
01.07.2015 - 30.06.2016

- Deadlines must be agreed with MA
- Deadlines must be set in planning documents
 - Description of management and control system
 - Audit Strategy
 - Audit Manual
- The AA Checklists and process ready
 - Audit report form
 - Checklist on accountants
 - Checklist on annual summary

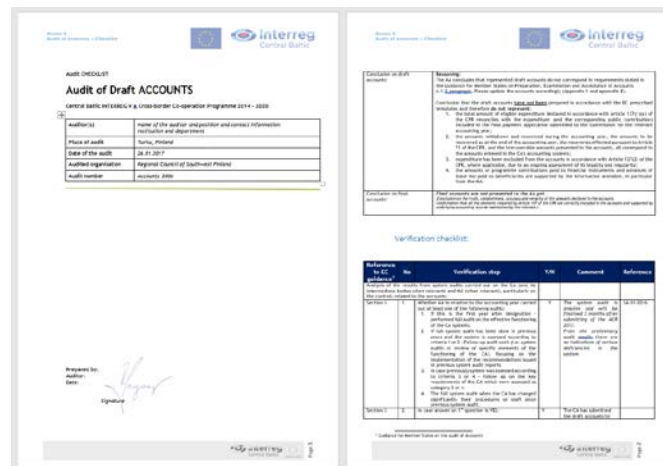
DEADLINES FOR SUBMISSION OF DOCUMENTS (ERDF)

No.	Responsible authority	DOCUMENT/ACTIVITY	DATE	DOCUMENT SUBMITTED
1	2	3	4	5
1	CA	Final application for interim payment	until 31/07/N	EC
2	CA	Draft accounts	31/10/N	MA, AA
3	AA	Final reports of the systems audits and audits of operations	Continuously after the finalisation of individual audit - final deadline 31/12/N	MA, CA
4	CA	Final draft accounts	31/12/N	MA, AA
5	MA	Draft Management Declaration and Annual Summary	15/01/N+1	CA, AA
6	MA, CA, AA	Communication related to open issues before finalising the final accounts	15/01/N+1	-
7	CA	Final accounts	31/01/N+1	MA, AA
8	MA, AA	Communication related to open issues before finalising the final Management Declaration and Annual Summary	05/02/N+1	-
9	MA	Final Management Declaration and Annual Summary	10/02/N+1	CA, AA
10	MA, CA, AA	Uploading the final documents in SFC2014 (Management Declaration, Annual Summary, Accounts, Annual Control Report, Annual Opinion)	13/02/N+1	-
11	MA/AA	Delivering the assurance package to EC (Management Declaration, Annual Summary, Accounts, Annual Control Report, Annual Opinion)	15/02/N+1	EC

Execution

Accounting year
01.07.2015 – 30.06.2016

- Audit on accounts
 - report date 26.01.2017
- Audit on annual summary
 - report date 31.01.2017
- Audit checklists based on EC guidance document
 - Guidance for Member States on the Audit of Accounts
 - Guidance for Member States on the Drawing of Management Declaration and Annual Summary



Audit Checklist
Audit of Draft Accounts
CENTRAL BALTIC INTERREGULA CROSS-BORDER CO-OPERATION PROGRAMME 2014 - 2020

Author(s) Name of the auditor and position and contact information
Tunis, Poland

Date of the audit 26.01.2017

Audited organization Regional Council of South-East Poland

Audit number Accounty 2016

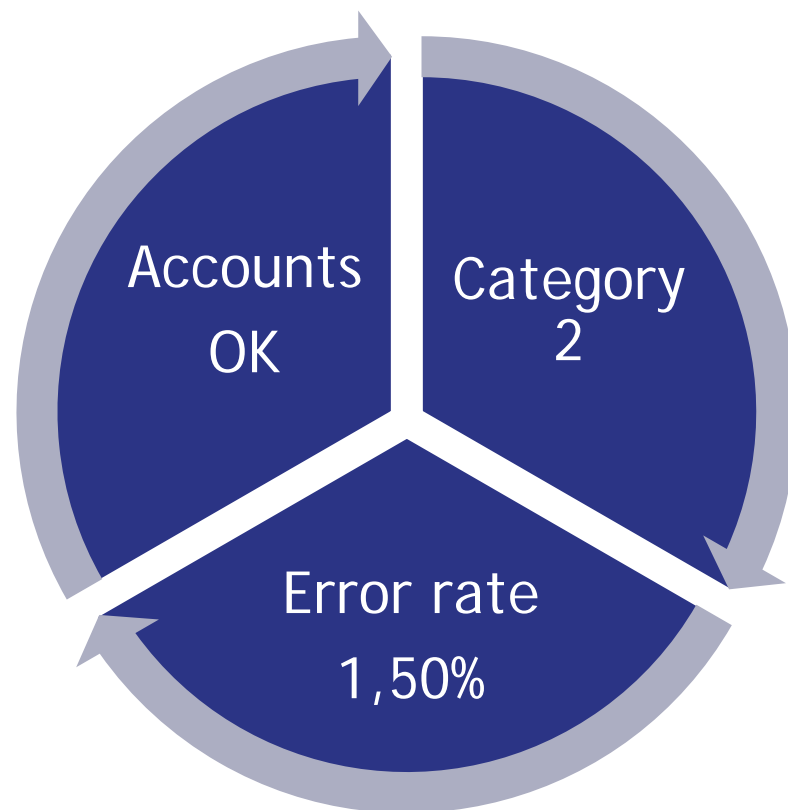
Conclusion on draft accounts

Verification checklist

Reference	Yes	No	Verification step	VM	Comment	Reference
1			1. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
2			2. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
3			3. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
4			4. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
5			5. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
6			6. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
7			7. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
8			8. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
9			9. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
10			10. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
11			11. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
12			12. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
13			13. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
14			14. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
15			15. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
16			16. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
17			17. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
18			18. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
19			19. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			
20			20. The accounts have been prepared in accordance with the accounting system adopted by the audited organization and approved by the competent authority.			

Signature

Annual Control Report 2016



Improvements

- After the first CA full system audit – CA KR could be audited as follow-up and random based check
- Leave time for the MA/CA to implement recommendations on accounts and annual summary
- First accounting year can be confusing
 - Follow guidance documents
 - Create good process description/checklists

THANK YOU!

Audit Authority

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Varsinais-Suomen liitto
Egentliga Finlands förbund
Regional Council of Southwest Finland



European Union
European Regional
Development Fund