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## Internal Audit Directorate

### European Structural and investment funds 2014-2020 Programmes

Lead Partner Event  
19 June 2018

## The Audit Authority

- Scottish Government Internal Audit Directorate is designated Audit Authority for 2014-2020 Structural Funds programmes under Article 123(4) of Council Regulation (EU) No 1303/2013 and is responsible for:
  - system audits
  - audits of operations
  - annual account work
  - the audit control report
  - audit opinion and
  - the closure declaration

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## Terms of Reference

- Article 127 (1) of 1303/2013 requires the Audit Authority to ensure that audits are carried out on the proper functioning of the Management and Control System.
- Scope of Article 127 to verify the legality and regularity of expenditure
  - Defined by EC Regulation 480/2014
    - » Operation selected in accordance with the selection criteria
    - » The expenditure declared corresponds to the accounting records
    - » Outputs and results have been delivered and participant records are consistent with the information submitted to the Commission
    - » The public contribution has been paid in full

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## Article 127 – Audit Authority

- Article 127(1) of Regulation 1303/2013  
*“The audit authority shall ensure that audits are carried out on an appropriate sample of operations on the basis of the declared expenditure”*
  - Role to provide independent assurance to the EC on the MA's Management and Control Systems
  - Sample selected from operations included in the declaration of expenditure
  - AA submits an Annual Control Report and Audit Opinion to the Commission – February of each year
  - Audit focuses on reviewing evidence for the following areas – expenditure, procurement, management of project, State Aid and support given to participants/SMEs – (outputs/results)

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## Article 127 – Audit of Operations

- Judge the effectiveness of the management and control systems;
- Confirm compliance with EC legislation
- Ensure delivery of the project is consistent with the approved application and claims form
- Ensure expenditure charged against the project had actually been paid out and was relevant to the operation
- Ensure existence of a full transparent audit trail which included retention of supporting documentation including procurement
- Ensure income has been taken into account
- Physical reality of the operation corresponds to the expenditure declared

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## Ensuring the Audit goes smoothly

- Read and follow any guidance issued, particularly on the level of evidence required. If in doubt, ask.
- As Lead Partner it is your responsibility to ensure all evidence is available at the one location.
- Provide information requested by the AA in advance of the visit as soon as possible – allows samples (e.g. contracts, evidence of support to participants/SMEs) to be made to provide you as much time as possible to collate evidence.
- Read through your application – auditors will require sight of studies/reports referred to in support of the application.
- Present information in a clear manner (e.g. highlighting relevant figures, prepare an index on how evidence is filed).
- Ensure the auditors can get access to speak to the right people if required (e.g. procurement or finance).
- Succession planning – what if a key staff member with knowledge of the project leaves?
- Bear in mind the potential of future audits when ownerships/structures change.

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## Reporting

What will happen if you cannot provide supporting documentation or the officers cannot verify expenditure.

- The visiting officers will inform you during the visit if they require to see any further documentation or are unable to reconcile expenditure. If you cannot provide this during the visit, the officers report may recommend that the related expenditure is ineligible until you can provide the required evidence to the Managing Authority.

## Reporting

- AA will hold an Exit Meeting at the end of each visit.
- AA issue an interim report to the MA. This interim report will set out the AA findings and where relevant request the MA to carry out further work in cases where the AA was unable to complete its work.
- Problems will be highlighted by the AA as potential irregularities at that stage. The MA is responsible for trying to resolve any potential problems by discussing with the project sponsor.
- If additional information is provided to the MA this will be passed to the AA.
- The AA will review this information and, if satisfied, will either cancel the potential irregularity in full or in part depending on the outcome of its review.
- Once the project outcome has been agreed the AA will finalise the report and forward a copy of the final version to the MA.

## Questions...

