



Simplification of control and audit activities for ESI funds: How to limit the burden ?

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OUTLINE

1. CURRENT SITUATION CONTROL AND AUDIT
2. MEASURES ON MANAGEMENT SIDE
3. MEASURES ON AUDIT SIDE
4. OTHER OUT OF THE BOX OPTIONS



Current situation: Audit and control pyramid

Control (part of MCS)

Beneficiary: internal control and administration

MA/IB: management verifications

CA: certification of expenditure

Audit

AA: system audits and audits of operations

EC: SISA → reliance on AA if possible (contract of confidence) and additional activities

ECA: (random) sample, not applying SISA



MANAGEMENT AND CONTROL SYSTEM: CRUCIAL ELEMENTS

KEEP IT SIMPLE:

- reduce and simplify rules (EU and national level)
- prevent goldplating
- make use of Simplified Costs Options
- clear instructions to beneficiaries in relation to eligibility and interpretation as well as sufficient supporting of beneficiaries from the start

MANAGEMENT VERIFICATIONS:

- sufficient (quantitative and qualitative) effort in the management verifications (in particular in risky areas like Public Procurement and State Aid as well as performance data)

USE KNOWLEDGE AND EXPERIENCE OF AA: ADVISORY/PREVENTIVE ROLE



AUDIT FUNCTION: OPTIONS FOR SIMPLIFICATION AND REDUCING WORKLOAD IN CURRENT SITUATION

- System audits: risk based approach
- Audits on operations: Non statistical approach for small programs
- Audits on operations: common sample for grouping of programs/funds



AUDIT FUNCTION: DEVELOPMENTS IN THE NETHERLANDS

Consideration of relying more on the MCS, in particular the management verifications.

As much as possible: **Reperformance** (not SISA) of management verifications when conducting audits on operations:

“sample of the sample”

“dual purpose tests”

Advantages:

- Limited additional findings related to sample risk → limits legal uncertainty
- Possibility to do substantial part of audit at the location of the MA (and limit burden for beneficiary)



Conditions for reperformance (1)

Complying to International Standards on Auditing

- Management verification must function well!:
 - (statistical) sampling approach like is expected from AA
 - set up and evaluation of random sample in accordance with guidelines for treatment of errors
 - reliable evidence of approved and rejected Euros/sample items must be well documented in IT system MA (part of E-cohesion)

- (Limited) complementary random sample required (every declared Euro must have a chance to be selected)

- Fall back on full random sample if management verifications have not functioned well → no limitations for auditor to obtain assurance because (certified) auditor is solely responsible for audit opinion!



Conditions for reperformance (2)

- Same working programs and checklists for management verifications and audits on operations based on legislation and common interpretation of legislation
- Limit legal uncertainty for beneficiaries
 - limit time between management verifications and audits on operations
 - clear contradictory procedures
 - procedure in case of continuing disagreement (for example opinion by independent experts)

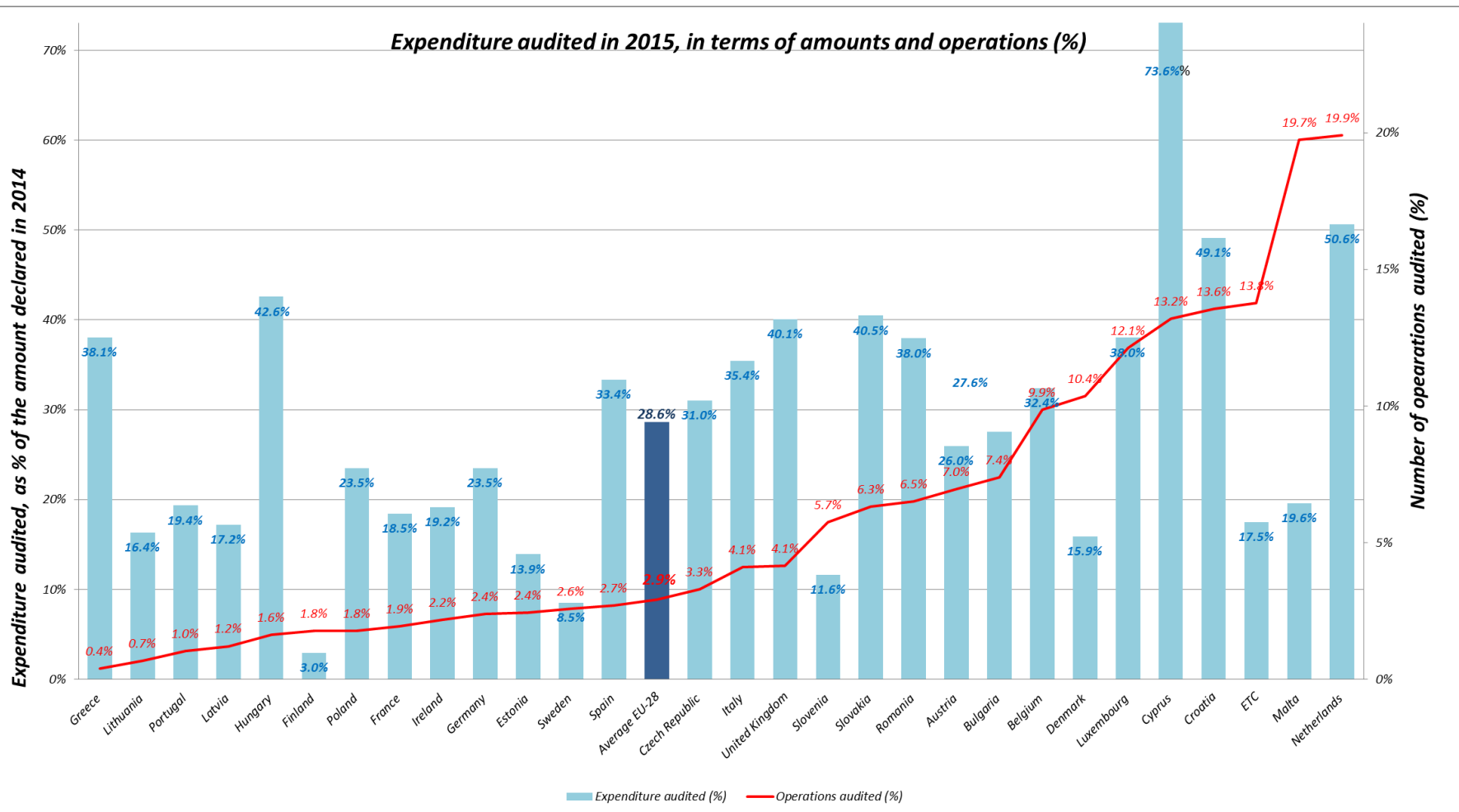


Out of the box post 2020: proportional to size as alternative for one-size-fits-all approach ?

- Primarily consolidated approach by DG/fund instead of individual approach by Member State / program → proportional to size workload for member states
 - consolidated approach (one overall sample?) per fund by EC leading to proportional to size workload for the Member States
 - similar approach as ECA: possibility for ECA to apply SISA ?
 - possible problem: who pays for high error rate?
 - possible solution: set up common database of findings for analysis purposes and, if necessary, additional measures per Member State



Expenditure audited in 2015, in terms of amounts and operations (%)





For your attention!

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