



Technical support to the implementation and management of ENI CBC programmes

# Rules of procedures of the Group of Auditors

Tips and checklist for their drafting

June 2017

## DISCLAIMER

This **non-binding document** has been developed by the TESIM project.

It does not necessarily reflect the views of the European Commission on the topic, and is presented to programme practitioners **for illustrative purposes only**.



## 1. Introduction

The Group of Auditors (GoA) is a body composed of representatives of all participating countries and shall assist the Audit Authority (AA) in the fulfilment of its tasks. The GoA makes part of the wider concept of collective governance (and increased responsibility of participating countries) of the ENI CBC programmes.

Even if the concepts of the GoA and the AA may be new to the ENI CBC programmes, the Member States are familiar with them from the 2007-2013 European Territorial Cooperation programmes. Nevertheless, the differences of the ENI CBC instrument should be taken into account when drafting the rules of procedures of the GoA.

Agreeing on the main principles and developing the rules of procedures is a joint exercise of the GoA members and the AA, to foster co-ownership and to build mutual understanding about the tasks and responsibilities, as well as a commitment towards the tasks entrusted to this collective body.

## 2. Legal background

Article 28 (2) of the ENI CBC Implementing Rules states that '*the Audit Authority shall be assisted by a group of auditors comprising a representative of each participating country in the programme*'. Even if not explicitly mentioned in the legal text, the normal practice followed in other CBC programmes is that the representative of the country hosting the Managing Authority is the AA itself.

In many aspects, the tasks entrusted to the GoA will depend on the strategic considerations of the Audit Authority and the overall approach towards audit work in the programme. Therefore only few elements related to the functioning of the GoA are pre-defined by the ENI CBC Implementing Rules:

### 1. **Set-up** (Article 32.3)

*The Group of Auditors shall be set up within three months of the designation of the Managing Authority.*

### 2. **Rules of procedures** (Article 32.3)

*The Group of Auditors shall draw up its own rules of procedures.*

### 3. **Chairmanship** (Article 32.3)

*The Group of Auditors shall be chaired by the Audit Authority appointed for the programme.*

**4. Independence** (Article 28.3)

*Where audits are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that this body has the necessary functional independence.*

**5. Compliance with international standards** (Article 28.3)

*The Audit Authority shall ensure that the audit work complies within internationally accepted auditing standards.*

**6. Functions** (Article 28.2)

*The Audit Authority shall be assisted by a group of auditors comprising a representative of each participating country in the programme.*

*Each participating country may authorise the Audit Authority to carry out directly its duties on its territory.*

The involvement in assisting the AA will depend on many factors that are likely to be different across programmes. One of these factors is, for example, the decision on the degree of outsourcing of certain part of the audit work to external audit companies, which will impact on how the GoA members are involved in the audit tasks.

Therefore, it is strategically important to clearly define **the tasks of the AA for which the assistance of the GoA will be required**, as well as the **arrangements on how this assistance** will be provided.

### 3. Outline

When drafting the rules of procedures, the GoA members (in particular the AA itself, normally in charge of drafting and proposing them) can use the checklist and tips below. For the purpose of this document, the following articles that may be included in the rules of procedures have been identified:

1. *Preamble and applicable legal framework*
2. *Composition/ membership*
3. *Chairmanship*
4. *Functions and compliance with applicable international standards<sup>1</sup>*
5. *Meetings*
6. *Decision-making*

---

<sup>1</sup> Such as ISA 200 on “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing” or ISA 600 on “Using the Work of Another Auditor”.

7. Working language
8. Adoption and revision

The proposed contents are indicative, and they can be changed or supplemented as the programmes see fit. For each article, the checklist (in the form of a table) includes the main points that need to be regulated in the Rules of Procedure, based on the provisions of the ENI CBC Implementing Rules and on the experience of the programmes. Tips on other issues that can be regulated in the Rules of Procedure are provided as well.

The rules of procedures will be the main document regulating the work of the GoA and ensuring the functioning of the audit work in all participating countries in an agreed manner.

## 4. Checklist and tips

### 4.1 Preamble and applicable legal framework

The following points shall be included:

1.	A reference to the <b>applicable legislation</b>
2.	A reference to the <b>Joint Operational Programme</b> for which the GoA is established
3.	The <b>term of office</b> is defined

As a general rule, the EU regulations are directly applicable in the EU Member States, but not outside the EU territory.

In addition to the EU regulations, programmes may include as applicable legislation references to national acts or other programme documents, such as the description of the management and control systems, the Financing Agreement(s) signed between the EU and the participating CBC Partner Country(ies), Memoranda of Understanding, etcetera.

It is suggested that the GoA term of office is ended after the full closure of the programme.

### 4.2 Composition/ membership

The following points shall be included:

1.	<b>Statement:</b> The GoA is composed of one representative from each participating country
----	---

2.	If foreseen, the number of <b>deputy members/substitutes</b> appointed by each country is stated
3.	<b>Statement:</b> The GoA representatives are appointed on a functional, not personal basis
4.	The rules for participation of the GoA <b>deputy members/ substitutes and observers</b> (for example, programme bodies / EC representatives / others) are defined
5.	<b>Statement:</b> Observers participate in the meetings without decision-making rights
6.	The procedure in case of <b>changes in the membership</b> is explained

The ENI CBC Implementing Rules state that 'a representative from each participating country' shall be nominated to the GoA. Therefore, a formal appointment of the GoA member by the participating country is a prerequisite for establishing the group. In addition, appointing deputies, who can replace the GoA members if need be, is a useful practice to ensure the continuity of work, especially taking into account that there is a single representative from each country.

As the observers of the GoA meetings are not part of the group, their role, rights and procedure for participation can be alternatively described in the article "Meetings".

In addition to the table above, the document may also include the following:

- Rights and responsibilities of the GoA members
- Rights and responsibilities of the GoA observers

### 4.3 Chairing the GoA

The Chairperson is responsible for a proper functioning of the GoA, and the chairing principles presented below are to be included in the rules of procedures:

1.	The <b>chairperson</b> of the GoA is stated – representative of the Audit Authority (Article 32.3)
2.	The <b>deputy chairperson</b> of the GoA is stated. In case of no permanent deputy, the <b>procedure for appointment of the substitute</b> in case of absence of the chairperson is explained

<b>3.</b>	<b>The tasks of the chairperson</b> are explained (e.g., drawing the agenda, convening the GoA meetings, chairing the meetings, signing decisions and minutes)
-----------	--

#### 4.4 Functions and compliance with international standards

The functions of the GoA will depend on the level of involvement of the GoA members in assisting the AA in its tasks. Three main tasks of the AA are defined in Article 28 of ENI CBC Implementing Rules:

- audits on the management and control systems;
- audits on an appropriate sample of projects;
- audits on the annual accounts.

In addition, the AA is also responsible for preparation of audit strategy that will define how the audit work will be carried out.

It is up to the Audit Authority and members of the GoA to decide on the specific tasks for which the assistance of the GoA members will be provided. However, if any audit work is delegated to the members of the GoA, the compliance with internationally accepted audit standards - applicable to all audit work carried out in the framework of the programme - shall be ensured.

The rules of procedures shall describe:

<b>1.</b>	Tasks assigned to the members of the GoA in relation to the <b>development and revision of audit strategy</b> , if any
<b>2.</b>	Tasks assigned to the members of the GoA in relation to the <b>audits on the management and control systems</b> , if any
<b>3.</b>	Tasks assigned to the members of the GoA in relation to the <b>audits on an appropriate sample of projects</b> , if any
<b>4.</b>	Tasks assigned to the members of the GoA in relation to the <b>audits on annual accounts</b> , if any
<b>5.</b>	Other functions (also of informative nature)
<b>6.</b>	A reference to the relevant <b>international audit standards</b> could be provided

As previously stated, the involvement of the GoA will be directly related to the degree of externalisation of the audit tasks.

Please note that the relevant international audit standards will be defined in the audit strategy<sup>2</sup>. However it could be beneficial to clearly state the most relevant ones also in the rules of procedures.

#### 4.5 Meetings

The following points can be included:

1.	<b>Regularity</b> of GoA meetings
2.	Minimum participation requirements for the meeting ( <b>quorum</b> ), especially in the case of decision-making
3.	<b>Deadline for announcing</b> the meeting
4.	<b>Deadline for sending documents</b> before the meeting, if needed
5.	Responsibility of the preparation of the <b>minutes</b>
6.	<b>Statement:</b> A copy of the minutes is shared with the GoA members/deputy members and observers, if present

Please also note that, in case the programme is going to prepay or reimburse travel costs for the GoA members, this may be included in this or other separate chapter. Concrete limits regarding the maximum number of persons who can receive prepayments/ reimbursement, together with maximum eligible amounts for subsistence costs shall be defined. In addition, a reimbursement form for these costs can be developed and constitute an annex to the rules of procedures, if needed and applicable.

#### 4.6 Decision-making

Depending on how the GoA is involved in the overall audit work, there might be a need for setting clear decision-making arrangements. Therefore, the rules of procedures should include information on how decisions will be taken, and the following issues shall be taken into account:

1.	<b>Statement:</b> Each participating country has one vote
2.	<b>Statement:</b> The decisions as a rule are taken by consensus
3.	In case voting is foreseen, the <b>voting procedure</b> is explained
4.	Decision-making through <b>written procedure</b> , at the initiative of the

<sup>2</sup> For further details, please consult the TESIM 'Guidance on Audit Strategy in ENI CBC programmes'.

	chairperson or any participating country, is foreseen
<b>5.</b>	Duration and <b>deadline for responses</b> in cases of written procedure are defined
<b>6.</b>	<b>Statement:</b> The AA is responsible for ensuring that decisions of the GoA comply with the applicable law and provisions

Regardless of the selected decision-making and voting procedure, the members of the GoA should strive to reach common understanding on the relevant issues, especially taking into account that the general objective of the GoA is of consultative nature (i.e., to provide assistance to the AA).

In case the GoA decisions are made through written procedure (including, if so foreseen, tacit agreement), the deadline set for such procedure should be sufficiently long to allow for a response. A possibility to use a shortened written procedure in cases of urgency can be also foreseen.

#### 4.7 Working language

<b>1.</b>	The <b>working language</b> of the GoA is defined
<b>2.</b>	In case <b>interpretation</b> of the meetings is planned, the languages into which translation is provided, are stated
<b>3.</b>	In case <b>written communication in other language than the Joint Monitoring Committee's working language</b> is possible, this is stated

#### 4.8 Adoption and revision

<b>1.</b>	<b>Statement:</b> The rules of procedures are unanimously adopted by the GoA members
<b>2.</b>	The <b>procedure for revision</b> is foreseen