



TESIM

Technical support to the implementation and management of ENI CBC programmes

Templates of working papers for expenditure verification

Module for programme bodies and national authorities

May 2019

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**.

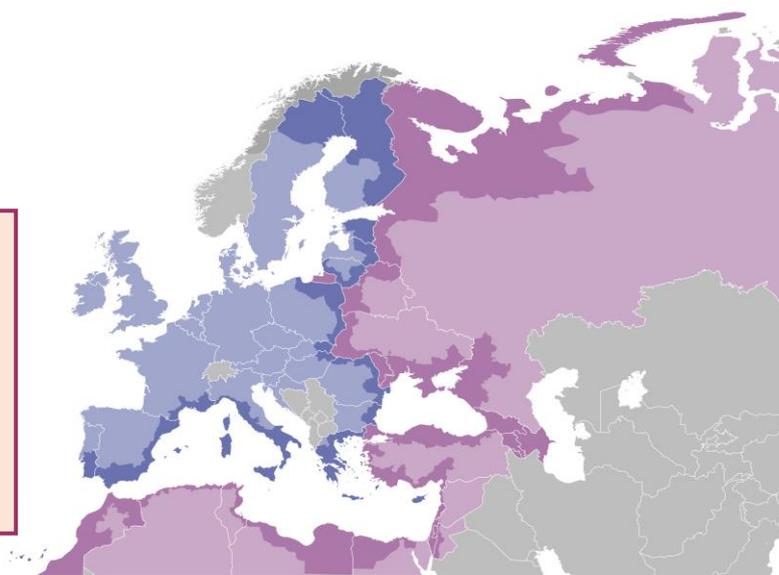


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1. Aim of these templates

Article 32 of the ENI CBC Implementing Rules (hereinafter ENI CBC IR) stipulates that the expenditure verification work of the expenditure and income declared by the beneficiaries has to be carried out in conformity with the **International Standard on Related Services 4400** Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by International Federation of Accountants (IFAC). Section 10 of this standard indicates:

*“**The auditor should document** matters which are important in providing **evidence** to support the report of factual findings, and evidence that the engagement was carried out in accordance with this ISRS and the terms of the engagement.”*

Auditors have very precise international standards on how to document the evidence of their work: **the working papers!** This also applies to public officers carrying out the same work than auditors, as stated in the above-mentioned article 32 of the ENI CBC IR.

This issue was tackled by the Audit Authorities in the audit network meeting organised by TESIM in September 2018 in Bucharest in the session devoted to the possibility to apply the “single audit” concept in ENI CBC programmes.

*“In the context of the European Union budget, the term ‘**single audit**’ refers to a system of internal control and audit which is based on the idea that **each level of control builds on the preceding one**. ‘Single audit’ aims at **preventing the duplication of control work** and reducing the overall cost of control and audit activities at the level of the Member States and the Commission. It also aims at **decreasing the administrative burden on auditees**.”* European Court of Auditors, December 2013

This set of templates developed by TESIM provides standard working papers, which may/should used by the auditors with **three aims**:

- **Facilitate the work of the auditors/public officers** by offering a set of standard documents,
- **Increase the reliability of the expenditure verification reports** by providing tools for quality control by programme bodies and national authorities,
- **Allow the use of the single audit approach** by the Audit Authorities and other programme and national bodies by reducing the need for re-performance.

The standard working papers proposed by TESIM may be adapted by each programme or national relevant body, but also by the auditors/public officers themselves, in conformity with their professional judgement.

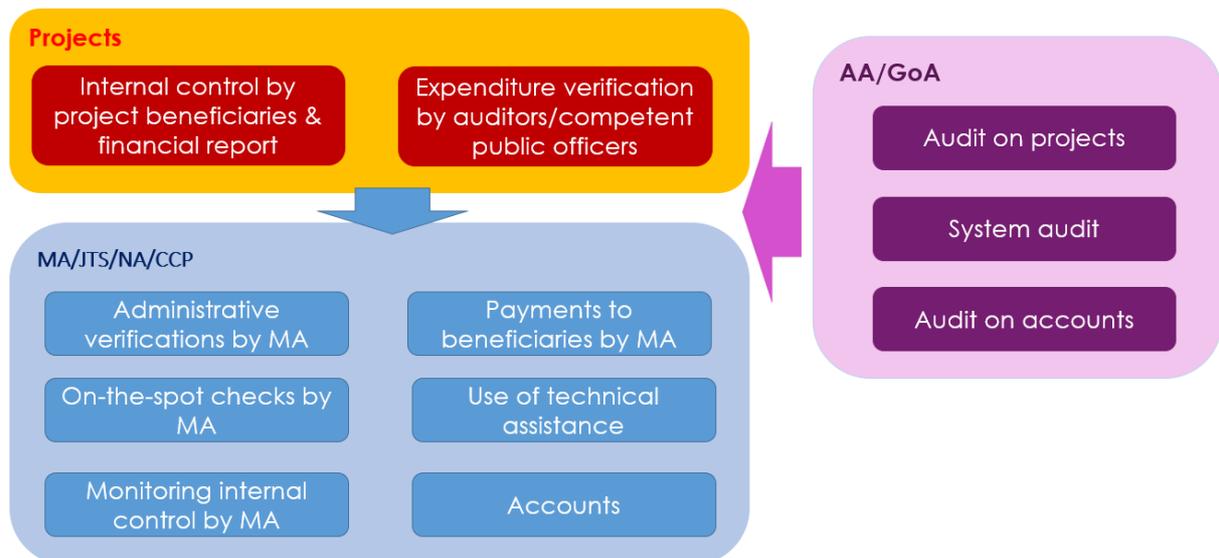
2. Building assurance in ENI CBC programmes

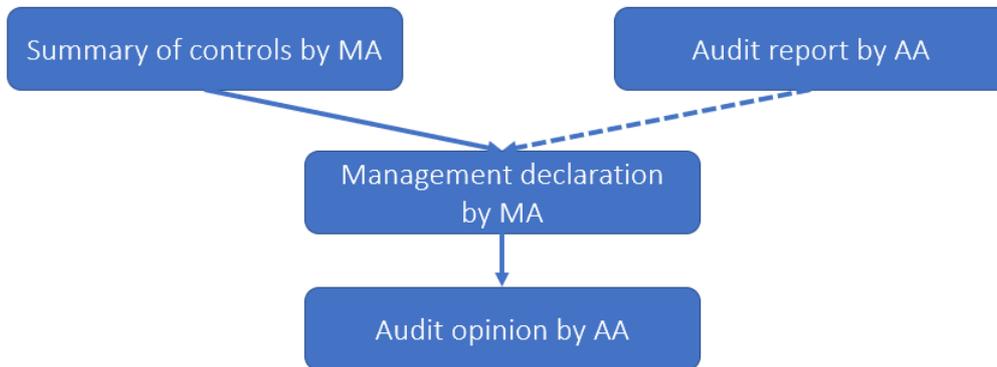
The European Court of Auditors (ECA) requires to ensure increased reliability of the information on legality and regularity at the reports from the programmes to the European Commission. How?

Focus on the strengthening of the management and control systems and the building of an “assurance package” by the programmes. (Background paper on “*ECA’s modified approach to the Statement of Assurance audit in Cohesion*”. December 2017)

Even if the assurance to the European Commission is given by the Audit Authorities, the effort to strengthen the management and control systems lies on the Managing Authorities and needs the support of good controls at project level.

The **construction of the assurance** may be summarized as follows:





The key questions may be:

- May the Managing Authority rely on the work of the auditors and public officers carrying out the expenditure verification reports?
- Is it possible to obtain the evidence of the reliability of their reports with less re-performance? Is there an alternative to reperform their work to check if the result is the same?

The answer for the Audit Authorities is in the International Standard for Audit (ISA) #600:

*"The principal auditor should perform procedures to obtain sufficient appropriate audit evidence, that the **work of the other auditor is adequate** for the principal auditor's purposes, in the context of the specific assignment."* (ISA 600)

3. Checking the work of auditors: the working papers

The audit profession has a standard way of working and checking the adequacy of this work, which is the revision of the working papers. This is the usual procedure inside the auditing companies, where the person who signs the reports relies on the work of the team after this revision. It is also the usual procedure when another company or institution is checking the quality of the audit work.



The scope and the report are defined by each programme in the terms of reference for expenditure verification. It is up to each auditor/public officer to develop its own work programme and working papers. However, having a recommended work programme and standardized working papers will make it easier to verify the quality and reliability of the reports.

Our goal is to build the controls by the Managing Authority on the work of the auditors/public officers carried out during expenditure verification, rather than re-performing. Also the checks by the Audit Authority on projects may be built on the work of this first level of control.

For that purpose, TESIM has developed a set of standard working papers, which may be used by the auditors/public officers, as a complement to the terms of reference.

However, in order to render this approach feasible from a legal point of view, it is recommended that the **contracts between auditor and beneficiary** include the possibility of revision of the working papers by the programme's and EC's competent bodies. This clause has been included in the contract template, which is part of TESIM's "Expenditure verification pack".

The **toolkit for auditors** includes tips and tools, as well as a set of non-exhaustive templates for working papers, which may be used.

Annex. Quality control of the work of the auditor

This annex includes a checklist with some suggested procedures for the check of the working papers of the auditors/public officers, which may be performed by the relevant programme bodies (i.e. Managing Authority, Joint Technical Secretariat and Control Contact Point).

These procedures are aimed at avoiding a full re-performance of the work of the auditor/public officer for the check of the reliability of their reports.

