



# Audit and control in financial instruments 2014-2020

**Rafael Lopez Sanchez**, Deputy Head of Unit C.1 – Coordination, relations with the Court of Auditors and OLAF, DG REGIO, European Commission

**Vladislava Glietz**, Team leader for audit methodology, Unit C.1 – Coordination, relations with the Court of Auditors and OLAF, DG REGIO, European Commission



 #ficompass





# **Audit and control in Financial instruments 2014-2020**

Vladislava Glietz, Team Leader Unit C.1  
Rafael López Sánchez, Deputy Head of Unit C.1  
Directorate C – Audit  
Directorate-General Regional and Urban Policy

## AA control level (1)

- Perform system audits and audits of operations
- Systems audit to focus on controls carried out by each of the bodies implementing the FI
- Audits of operations:
  - include a sample of disbursed investments / management costs and fees
  - stratify FIs in a sample for audits of operations;
  - further sampling advise in the audit methodology
- Restrictions apply to FIs managed by EIB/IFIs (improvements by Omnibus)

## AA control level (2)

- **No audit at final recipient level (restrictions of Art. 40(3) CPR)**
- **During implementation, verification that the thresholds for the payment of the tranches are respected (Art. 41(1)(c) CPR)**
- **Recommendation, if possible, to audit all FIs at closure taking into account the previous audits, to confirm the eligibility of expenditure**

## MA/IB control level

### Main responsibilities:

- **For ex-ante analysis, strategies, funding agreement**
- **To ensure FoF/Financial intermediary complies with its obligations:**
  - **To obtain and review lists of eligible expenditure (administrative verification)**
  - **To review implementation reports from the level below and audit reports**
  - **To perform on the spot verifications (FoF and/or financial intermediary level), based on risks identified (depth increased horizontally/vertically)**
- **To ensure existence of an appropriate audit trail at any agreed level (MA/FoF/FInterm.)**

## FoF control level

### Main responsibilities

- To select and supervise financial intermediaries
- To clearly indicate in the funding agreements the obligations of the financial intermediaries
- To verify compliance with these obligations through:
  - Administrative verification: receive and review reports and lists with eligible expenditure from financial intermediaries (part could be automated)
  - On the spot verification (at financial intermediaries level) to assess adequacy of procedures and review of a sample of files from final recipients (risk based or random)

## Financial intermediary control level

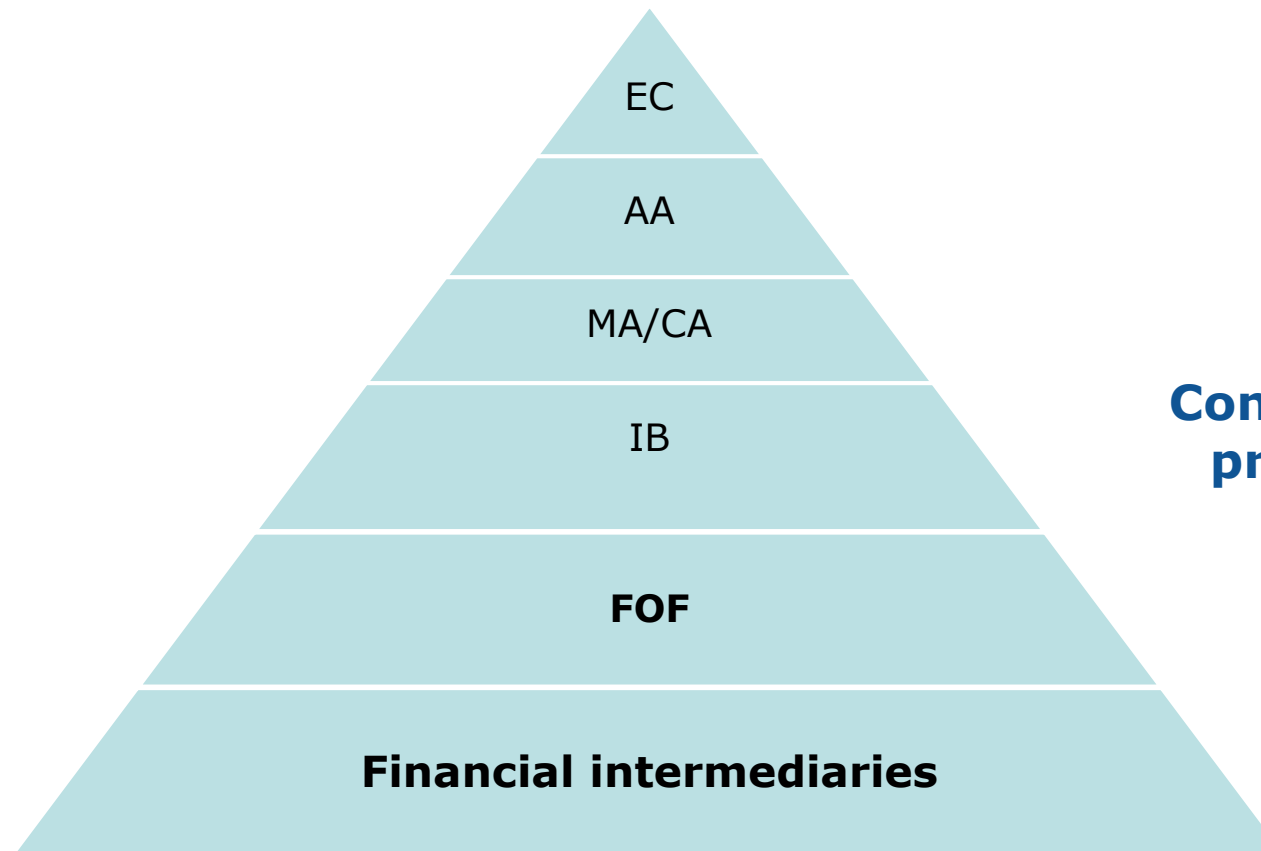
- **Responsibility for disbursement of funds to final recipients (loans/guarantee/equity)**
- **Eligibility check**
  - **In line with the funding agreements which should have translated the eligibility criteria agreed in the programmes**
  - **Eligibility of investment and of final recipient (application phase); use for intended purpose (implementation phase)**

## Example: verification of SME status

- **Timing: condition to be complied with at the moment of the investment decision**
  - Final recipient has the obligation to inform about change in status until this moment
  - Clarity to be provided to final recipients
  - Financial intermediaries to obtain guidance how to verify the status
- **Depth of the check**
  - Coherence check for all applications based on the self-declaration and supporting documents (i.e. balance sheets)
  - More detailed check for a sample of applications (risk based) based on other sources (national data bases, company site, Arachne, etc.)



## Conclusions: FI control pyramid in the OP



**Controls to be  
proportionate  
to risks**



***Thank you!***

