

# **THE EXPERIENCE OF SAIs AS CERTIFICATION BODIES**

National Audit Office, London

Maggie McGhee

Director

# The experience of SAIs as Certification Bodies

There are four Accredited Paying Agencies in the UK. These are:

- Rural Payments Agency
- Welsh Assembly Government (WAG)
- Scottish Government Rural Payments and Inspections Directorate (SGRPID)
- Northern Ireland's Department of Agriculture and Rural Development (DARD).

# The experience of SAIs as Certification Bodies

2009/10	EAGF IACS £million	EAGF NON IACS £million	EAFRD IACS £million	EAFRD NON IACS £million
England	2,019	91	331	22
Wales	320	0	23	28
Scotland	620	0	96	59
Northern Ireland	325	0	17	1

# The experience of SAIs as Certification Bodies

- The accounting year runs from 16th October to 15th October. The account is operated on a cash basis.
- The European Agricultural Guarantee Fund (EAGF) account is known as Table 104. The account is produced to a tight timetable each month (it's cumulative), and forms the basis for the EU monthly reimbursement of expenditure. The final account is the 13th Table 104 which incorporates any end of year adjustments needed.
- The European Agricultural Fund for Rural Development (EAFRD) account is known as the Annex XI. It is produced quarterly and the annual account is the sum of the four quarters Annex XI plus any adjustments.

# The experience of SAIs as Certification Bodies

- The NAO, in consortium with Audit Scotland, Wales Audit Office, and the Northern Ireland Audit Office, is the Certifying Body for the UK.
- The NAO is the lead organisation and co-ordinator for the consortium.
- The NAO is directly responsible for the audit of England's paying agency – the Rural Payments Agency.

# The experience of SAIs as Certification Bodies

- The consortium operates under a Service Level Agreement and is committed to meeting certain target deliveries.
- Failure to meet the deliveries, if attributable to the consortium, can result in financial penalties leading to a reduced audit fee payment.

# The experience of SAIs as Certification Bodies

- The Certifying Body is required to prepare a separate audit certificate for each of the Paying Agencies (Article 5 of EC Regulations No. 885/2006).
- The European Commission has issued Guidelines as to how the audit should be conducted (see next slide).
- The audit opinion states that in all material respects the Accounts submitted to the European Commission are true, complete and accurate as regards expenditure charged to the Funds.

# The experience of SAIs as Certification Bodies

- The European Commission has issued Guidelines as to how the audit should be conducted:
  - Guideline 1 – Annex III (Debtors' Statement form and content).
  - Guideline 2 – Accreditation (role of Member States bodies; evaluation of internal control, and compliance with accreditation criteria).
  - Guideline 3 – Audit Strategy (includes guidance on sampling and error evaluation and on assurance from other sources such as on the spot checks and statistics).
  - Guideline 4 – Statement of Assurance (as given by head of Paying Agency)

# The experience of SAls as Certification Bodies

## ■ Audit Guidelines continued:

- Guideline 5 – Model Report (of audit work done)
- Guideline 6 – Certificate (audit) the guidance sets out the required content and forms of certificate to be used for unqualified, qualified, emphasis of matter, disclaimer etc.
- Guideline 7 – Opinion on Statement of Assurance (by the auditor)
- Guideline 8 – Annual Synthesis (completed by the Coordinating Body).

# The experience of SAIs as Certification Bodies

## Strengths of current approach:

- Assurance gained provides assurance over the Paying Agency national accounts
- Common approach allows comparison but one size fits all can create inefficiencies

## Weaknesses of current approach:

- The audit requirements are very onerous and expand on an annual basis
- The prescriptive methodology does not follow best auditing practice in the commercial sector – in particular the statistical approach
- Duplication of audit effort – the role of the European Court of Auditors

# The experience of SAIs as Certification Bodies

- Areas that could be considered to enhance the efficiency and effectiveness of the audit approach:
  - Accreditation of certifying bodies
  - Populations for sampling purpose
  - Flexibility in sampling parameters
  - Proportionality in the audit of debtors
  - Exclusion of non audit work from report

# The experience of SAIs as Certification Bodies

## ■ Accreditation of Certifying Bodies

- Can we get the results the Commission requires with different approaches per country
- All countries carry out specified procedures audit as required by the Commission unless any one country can demonstrate additional controls
- Additional assurance through National audits or National declarations.

# The experience of SAIs as Certification Bodies

- Populations for sampling purposes
  - Single population across both Funds?
  - Single population in each Fund?
  - Transactional testing based on value?
  - Audit approach aligned to International Standards on Auditing.

# The experience of SAls as Certification Bodies

## ■ Flexibility in Sampling Parameter

- Acceptance of need for comparative approach
- Greater controls assurance
- Less prescription in matching scores to assurance where additional sampling will not address the accreditation weaknesses

# The experience of SAIs as Certification Bodies

- Proportionality in the audit of debtors
  - Acceptance of need for robust controls to identify, record, monitor and recover debt
  - However, ad hoc development of audit approach has led to loss of coherence and disproportional requirements
  - Error evaluation and auditing of movements over burdensome. Particularly on those countries with low debt levels and error levels

# The experience of SAls as Certification Bodies

- Exclusion of non audit work from report
  - Additional requirements for report templates to contain information provided by Paying Agencies
  - Not all of this information is subject to formal audit
  - Not all of this information impacts on the audit opinion on the financial clearance of accounts

# The experience of SAIs as Certification Bodies

- Proposed extension of audit to also cover legality and regularity.
  - Costs of the proposed changes
  - Potential impact on disallowance Impact on the end beneficiary
  - Feasibility of proposed changes and disproportionate level of work
  - Impact on end beneficiary

# The experience of SAls as Certification Bodies

Any questions?

Contact – Maggie McGhee

44 (0)191 269 8849