

Joint Training Event of the Contact Committee and the EUROSAI
Experience with the development and carrying out CAP audits
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Supreme Audit Office of the Slovak Republic



Experiences with certifying controls of the EAGGF
in Slovakia

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Outline

- **Introduction**
- **Legal framework of the certifying body**
- **Certification audit of EAGGF account in general**
- **Report for the certifying body**
- **European Commission and SAO SR as certifying body**
- **Principal rules of the certifying audit**
- **Audit approach**
- **Overview of findings**

Introduction

- **European Agricultural Guidance and Guarantee Fund – EAGGF was comprised two sections**
 - **Guidance Section (SF – winding up declaration)**
 - **Guarantee Section (certificate)**
- **Financial year – from 16.10.x to 15.10.x+1**
- **SAO SR had issued three certificate on the Annual accounts Guarantee Section EAGGF (2004, 2005 and 2006)**

Legal framework of the Certifying Body activity

- Under the Memorandum on Cooperation between the SAO SR, the Ministry of Agriculture of the SR, and the Ministry of finance of the SR, signed on 30 January 2004, the SAO SR were the certifying body
- Audits were undertaken in accordance with internationally accepted auditing standards (ISAs) (IFAC)
- Rules laid down in Council Regulation (EC) 1258/1999 Article 6 (1)(b)
- Commission Regulation (EC) 1663/1995 Article 3 and 4

Certification audit of EAGGF account in general

Certification audit

- Provide the Commission with reasonable assurance that the expenditure declared by paying agencies and paying agencies' accounts are true, complete and accurate record of the operations charged to the Fund

To meet the above objective, two types of audits are to be carried out – financial audit
- compliance audit

Output

- Report – standard – mandatory outlay
- Certificate on the Annual Accounts
- Information system security statement

Report of the certifying body

- **Executive summary**
- **Audit approach**
- **Reconciliation of monthly and annual declarations**
- **Organisation of the paying agency**
- **Results of the detailed testing of schemes**
- **Review of compliance with accreditation criteria**
- **Protection of the financial interest of the Community**
- **Follow-up of previous years recommendations**

European Commission and NKI SR as certifying body

- European Commission shall checked all work done by certifying body in details
- Requests and clarification by email concerning procedures, techniques, methods, findings and statements in the report
- audit mission, on the spot checks

Reason ?

- Annual clearance of account is based on the certificate and certification report, wherefore Commission had relay on the work done by CB and obtain satisfactory assurance that work is adequate, transparent, sufficient, relevant and fully documented.

Principal rules of the certifying audit

- Independent authority
- Scope of the certification audit
- Audit planning
- Systems examination
- Internal audit
- Substantive testing
- Conclusion

Audit approach

- **System based approach SBA**
 - **Direct substantive testing DST**
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- **Types of testing applied**
 - **Detailed scheme documentation, control evaluation, and walkthrough testing**
 - **Detailed compliance testing**
 - **Analytical review**
 - **Testing of the work and reports of the internal audit**
 - **Detailed substantive testing on files selected, using a MUS technique and other sampling methods, if MUS is not applicable**

Audit approach – risk-based audits

Risks identification – basic prerequisite for appropriate and effective performance the audits.

Acceptable level of total audit risk 1%

Materiality

1% of the annual expenditure

Confidence level

95% , after three years of our activity we will consider to reduce confidence level

86%, however, only in case in the internal control environment will be evaluated as excellent or very good (ISAs)

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Overview of findings

- Exceeding the maximum deadline for processing the payment claim of the beneficiaries,
- The difference between the book amount and the account reported to the Commission in the annual declaration
- Insufficient control of the PA in the field of intervention stocks; within audited period were completely missing random controls of the PA for checking the quantity of the stocks in the intervention stores within its storing,
- The penalties were not applied on storage to the store for late submission of the monthly declaration of the status of the stocks,

Overview of findings

- The smaller area was identified (using the physical measurement) within the on the spot check at the beneficiary as it was declared in the claim,
- Unsatisfactory checks of recovered irregularities and the correctness of the amounts reported,
- Manuals and written procedures were not up-dated and the significant changes were not elaborated to them within the SAO audit,
- Incompleteness of the claim file for providing the funds,
- uncoordinated approach in the handling of irregularities, including the illogical sequences of procedures

Thank you very much for your attention



